

REFERENCE LIBRARY * HOUGHTON MIFFLIN CO. * BOSTON, MASS.

*Archive
Collection*



* This book may not leave the Office
and if borrowed must be returned within 7 days *

A MERCHANT'S HORIZON

BY
A. LINCOLN FILENE

IN COLLABORATION WITH
BURTON KLINE



BOSTON AND NEW YORK
HOUGHTON MIFFLIN COMPANY
The Riverside Press Cambridge
1924

COPYRIGHT, 1924, BY A. LINCOLN FILENE

ALL RIGHTS RESERVED



The Riverside Press
CAMBRIDGE • MASSACHUSETTS
PRINTED IN THE U.S.A.

CONTENTS

I. Introduction	1
II. The American as Traveller	10
III. Some Aspects of the American	15
IV. As Traveller	20
V. The American as Traveller	25
VI. The American as Traveller	30
VII. The American as Traveller	35
VIII. The American as Traveller	40
IX. The American as Traveller	45
X. The American as Traveller	50
XI. The American as Traveller	55
XII. The American as Traveller	60
XIII. The American as Traveller	65
XIV. The American as Traveller	70
XV. The American as Traveller	75

TO
MY WIFE

CONTENTS

I. BUILDING FOR THE FUTURE	I
II. NEW ASPECTS OF BUSINESS SUCCESS	21
III. SOME RESULTS OF COÖPERATION	50
IV. AN EMPLOYEE CHARTER	83
V. THE EMPLOYEES' PART IN PROFITS	112
VI. SHARING IN MANAGEMENT	123
VII. EMPLOYEE INITIATIVE AND COÖPERATION	143
VIII. A SURVEY OF INDUSTRIAL RELATIONS	156
IX. EDUCATION AND THE BUSINESS MAN	171
X. TRAINING FOR SERVICE THROUGH COÖPERATION	189
XI. THE ADVANCE OF LABOR	208
XII. CONSTRUCTIVE INDUSTRIAL PEACE	226
XIII. THE COMMUNITY'S STAKE	244

A MERCHANT'S HORIZON



CHAPTER I

BUILDING FOR THE FUTURE

THIRTY-FIVE years ago the author of a book on profit-sharing felt obliged to explain why he was adding to an already amazing volume of literature on economic and industrial questions. Since that time this mass of writing has become swollen to still greater proportions, and one must have a better reason than ever for adding to it. Yet a reason would seem to exist.

It is that while not one of these books has remade the world overnight, and never will do so, still each one of them must have contributed to general understanding, to action here and there, and so to progress. May this offering be as fortunate!

On the very first page of this study on profit-sharing the author cited above recalled the saying by Gladstone that "this is the age of the working-

A MERCHANT'S HORIZON

man." A thing visible only to a political seer in the nineteenth century is patent to all in the twentieth. Certainly the workingman is aware that this is his age. That is to say, he has fortunately become aware of his part in the work of the world. This is the reason for the present book.

Those who might be called the Old Guard among employers know that, in facing this gathering consciousness of dignity and value in the workingman, they are front to front with a force as natural and inevitable as summer warmth and summer rain. But to them the force seems a menace and not a help. It strikes them as an assault on their own dignity and authority, a rocking of their thrones, to be fought to the last. So they fail to meet the worker on a common ground; instead of joining with him, they prolong industrial strife — and are themselves the first to bear the costs of it. So long as this course is pursued there will always be room for books that give report of the financial gain, the hard money, as well as the human advance that results from making colleagues rather than antagonists of one's work-associates.

The words "hard money" are here purposely thrown out to the fore. The moves my brother

BUILDING FOR THE FUTURE

Edward and I may have made toward sharing responsibility with our people were made primarily for good business reasons, and our work-associates so understood. For it is safe to say that one must make a business success if his contribution to the liberalizing of business in general is to count. Any broad advance that might come of our efforts we preferred to regard as of secondary importance.

This is not to belittle the satisfactions in human progress. There are those satisfactions. The point is that the betterment cannot be lasting, unless it is made to pay for itself, unless it is pursued for business reasons and in a business manner. Humanitarianism itself needs to be more businesslike, as business needs to become more humanitarian. If we are ever to make substantial progress in liberalizing business, it is indispensable that these things shall be thought of together.

A number of years ago, my brother and I saw that our enterprise could get on no further unless we had more help. We two were not enough. If we were to achieve a big and lasting success, we needed more brains, an organized supply of them. To make sure of the supply we took in partners.

A MERCHANT'S HORIZON

And by taking in partners I mean taking them in, making them as large a contributive factor as ourselves in the upbuilding of our success.

Some years since, the head of a certain great mercantile establishment made a habit of giving his principal assistants the most generous financial rewards for their services. He made rich men of them; but he never made them his partners. They got their chance when he died: while he lived he ruled. It was one road, often the common road, to success; but it did nothing to provide a great business with a guaranty of life beyond that of its founder, conceived as it was by its original owner as distinctly his property and absolutely under his single autocratic control. While this particular business continued to prosper after his death, I hope to show why this, in my view, was not wisely looking into the future. The associates of that man — that is, those who remained — stuck to their jobs largely because of the money lure, or in the hope that chance might some day give one or the other of them control of a like absolute kind. A larger bait from another quarter might have tempted them away. Any man who conceives of himself as a business leader must some time see that he cannot have truly interested

BUILDING FOR THE FUTURE

and steadfast help unless he surrounds himself with men who "own themselves," and that a salaried job satisfies such men as little as it would himself.

At the same time, in my belief, power too indiscriminately given is apt to be used wastefully, and even destructively, unless it is linked with self-interest. Your helper is not a real helper until he is also bound to risks as well as gains. If he has a genuine desire for success and has something of his own to contribute to it, nothing but a genuine partnership will get it out of him.

With this in mind my brother and I so reorganized our business as finally to include with us in management and control our present associates. Each at his task had a knowledge and a skill far greater than anything of the sort at our command. It was the major reason why they were taken in with us. These men, as owners and directors with us, sat on our Management Board and with us planned and ran the business, subject only to the representative Board of Directors, and on that Board they also sat as co-Directors. If there is any one thing that accounts for such measure of success as we have attained, that one thing, to my mind, is the combined output of brains on the part

A MERCHANT'S HORIZON

of this group, fortified by the coöperation of our people.

What is there new in taking partners into a business? it may be asked. In the form of partnership we set up there was at the time, perhaps, an element of pioneering. As the thing is often done, my brother and I could have made the thing an empty formality of compliment to faithful assistants. It was not to be attempted with the sort of men we selected. Under cover of such a gesture to men of another sort, my brother and I could have kept executive control of the business absolute and in our own hands. And in such a move common opinion would have supported us. It would have held that as sons of the founder, and by virtue of our inheritance, no others had a right to share the control of "our property." It was rather our surrender of this birthright that attracted attention to our act, so rooted still in the public mind is the assumption that business shall remain the chain of little monarchies that it is.

Business is still too dynastic in its forms of ownership and management. And it loses accordingly. By human laws a man may transmit his business to his heirs. He is not so sure of transmit-

BUILDING FOR THE FUTURE

ting at the same time whatever of business acumen and vision he may possess. The laws of Nature do not always operate that way. Yet the practice of keeping a business within a family and handing it down to inheritors goes on as if ability were as easily bequeathed as money. Our conviction ran to the contrary. We had a desire to see our business perpetuated as a thing of profit and of significance. To be more certain of this, we stepped outside of the bounds of relationship in choosing our partners, and outside the usual custom in giving them standing and fixing their powers. They were to be on an even footing with ourselves.

The words "fixing their powers" are also used advisedly. Under the forms of our organization no direct order is ever given in our business to our partners by my brother or myself. Why this is so I shall hope to make plain. It is my belief that to issue blunt orders affecting thousands of persons engaged in a common business undertaking is often detrimental, when it is not positively dangerous. It is the thing that more often than is commonly believed impairs efficiency and spirit. In any number of ways it is bad.

Broad policies we all discuss and settle in coun-

A MERCHANT'S HORIZON

cil. Once these policies are fixed, each manager is expected to carry out the particular ones in his keeping. During absences, each may act for the other. In any emergency situation where sudden need comes into conflict with settled policy, any one of us may meet the occasion according to his own judgment. But any such act, if it involves change of a permanent policy, must meet the approval of the Management Board.

I am aware that to say as I do that as managers of our business we find no need of issuing direct orders may strike many as peculiar. The reason is simple. Out of years of experience we, the five managers of our business, together, have formulated the fundamental principles and policies upon which we want the business run. These policies and principles cover the functions of each of the divisions of the business coming under the direction of each of our associates. Having been decided upon by the five, we agreed that these policies should not be changed except by deliberation of the same five. It is this that has done away with the need of the direct order. Under these rules as laid down, each managing partner proceeds with full authority in his own specific duty. And we find

BUILDING FOR THE FUTURE

that it expedites his functioning, rather than slows it down.

To set up against ourselves a still more absolute preventive of the exercise of absolute power, we gave our employees the right to set aside by two-thirds vote any general ruling of ours that struck them as unjustly or adversely affecting their interests. The right has never been abused.

This was the earliest step in reorganizing our business. It has been argued, I know, that group or mass control in business leads to sluggish action. We have yet to find it so. My own view is that slow action results oftenest from direct personal control. Swift action is too often rash or ill-considered action, and has to be undone.

To all of us on the Managing Board it was soon evident that this step we had taken called for another advance. Our partners would pass like the original owners. For a guaranteed continuance of the business we had to be assured of a succession of possible partners. And for that a steady rise of under-studies remained to be provided for. Hence the immediate assistants to the managing partners were formed into an Operating Committee, with broad powers.

A MERCHANT'S HORIZON

Every matter of detail, the entire technique of the business, to call it that, we allowed to go through the hands of these younger men. The expectation was that, in placing them next to the practical issues of the whole business, they would learn the principles and practices that guide it, and while they thus learned under our eyes we had a constant opportunity of judging their ability. As the years of their experience lengthened out, we thus had some promise of prolonging the life of the business into one more generation at least. The process, if successful, might then recommend itself to our successors and go on repeating itself indefinitely. At the same time the principle assured us that no one except such as had been actively engaged in the business should ever become even part owners of it.

This was Step Number Two in our reorganization, and still ordinary enough in commercial usage. Step Number Three was a good deal longer and more adventurous.

My brother and I were now pretty thoroughly divested of exclusive personal power in our business. We had set up at least some means to be

BUILDING FOR THE FUTURE

saved from ourselves. The commercial monarchy we might have maintained existed as such no longer. Group control had been substituted. But with group control we were still an oligarchy, and still a long way from our people. That is, we were still far from any guaranty that a business entity which had established itself as reasonably useful to society would be perpetuated as it ought to be. For it has long been our thought that one of the primary duties of a serviceable business is to see to this perpetuation of itself. It is economical to society — and that means all of us — to keep a settled business going; it is costly to society to be forever financing the experiment of new ones.

But if our business enterprises are to endure, like the political states they are coming more and more to resemble, they can no longer be handed down from one possessor to another like so much inherited personal property. That form of succession peters out. A business is a living thing, and to last it must be able to renew itself from within. It must generate its own leadership preferably from its own ordinary ranks. This means that contacts between those at the bottom and those at the top must be many, and they must be unbroken. The

A MERCHANT'S HORIZON

channels from bottom to top must be kept open for the ready rise of talent.

With an eye to this maintenance of strength within the business, we organized the employees into a Coöperative Association — a somewhat lifeless name for a lively body. Such haphazard personal acquaintanceships as everyday business life permits between the heads of an establishment and the several thousand individuals in its employ would never do for the purpose we had in mind. If we were to find our people, and know them, and help them, and benefit by their help, nothing but an organized relationship would do.

Yet I can see now that, in forming this Coöperative Association, we were actuated by a motive or an instinct largely hidden from us at the time. In a sense, the formation of this body of employees was a move of self-defense on our own part. For the three thousand or more employees in a store can be three thousand or more critics of its management. And criticism in such a mass carries weight. No manager can afford to disregard it. Where, in any place, several thousand people are gathered under a single roof in a single pursuit, a considerable force of public opinion is exerted.

BUILDING FOR THE FUTURE

This is not only a real public opinion in itself; it is a part and parcel of public opinion in general, and it speaks with the same authority. It may not always speak its mind clearly, but it is there to be felt. An employer may affect to ignore this fact. He will do so with immediate consequences to his business. What his employees think of him, his customers are apt to think. If he affronts this common opinion of his employees, he breaks their morale, cools their zeal, and in any number of ways sets himself or them on a wrong path. The original question thus returns, whether it is not simply good business, if it is nothing more, to have your work-associates real associates rather than so many individuals working for a wage.

To me the answer is obvious. Within this Co-operative Association of ours we now count upon finding timber for future executives. Through the individuals that it now elects to be members of our Board of Directors, and in other ways later to be defined, this body of employees already has a hand in running our business. In giving it shape we also gave it powers. As will appear later, the Coöperative Association can reverse rules affecting

A MERCHANT'S HORIZON

employee working conditions or general welfare. Through its Board of Arbitration, in which we of the Management assume no seat or say whatever, it can and sometimes does reverse decisions and reinstate persons we have reduced in rank or discharged. And we have been shaping plans that we hope shall give, not to selected groups, but to every member of the Coöperative Association, meaning every employee in the establishment, a growing share in our success.

Needless, said some, when we inaugurated these things. In our own estimation we were merely long-headed. Our aim was the simple one to create and foster an enlightened self-interest.

Self-interest can have a strong educational effect. One or two instances of this in particular come to mind. In a certain year Christmas came on a Friday. To many of the employees it appeared useless to open the store on the next day, a Saturday, when a large percentage of our customers would be certain to remain in their homes. The question was left to the employees themselves, to decide by vote. The ballot went in favor of the extra holiday, but the figures indicated no stam-

BUILDING FOR THE FUTURE

pede. Much as many of the employees wanted the extra time, it was no thoughtless grabbing of a day at the store's expense. Having an actual stake in the results, they had taken the precaution of obtaining figures of the probable loss of sales, as against the expenses of operating the store. And on another such occasion, when a holiday fell on a Friday, and there was a prospect of good business on the following day, the vote for the extra day was lost.

Our people had learned their power, to be used as they liked, but they had also found that power hitched to a stake in the business. This was precisely what we intended. They had discovered themselves to be our business associates to a certain extent, and they acted accordingly.

The real failing we have to confess against our rank and file is that they do not yet assert themselves to the full of the opportunity offered. We want them to talk out — and many remain timid. Nevertheless, their eyes have been opened to some intimation of what we have in mind, and of the response we hope for. This they prove in an increasing stream of suggestion, advice, and criticism, and by evidence that is better still.

A MERCHANT'S HORIZON

From time to time reports have come to us from customers in front of the counter who have noticed behind the counter the state of interest we have sought to create there. With all our efforts to liberalize our business, we may not yet have evolved a commercial institution "of the employees, for the employees, by the employees." Business in such a form may belong to a very far day. But we have by no means exhausted the reasons for expecting further progress, with practical benefits to us all, as we go on with this course which, for want of a better word, we must call enlightened selfishness.

How far, in any case, can democracy seep down into industry? Only the experience and the experiments of the coming years can determine that. How sure can we be in our own particular enterprise that the successors we are trying to train will go on with the more liberal practices we have sought to set going? There can be no positive assurance. They may have unforeseen forces of a hostile nature to face. We can only instill our present beliefs, to the best of our own ability to teach, and theirs to absorb.

There is only this that my associates and I know

BUILDING FOR THE FUTURE

now and know positively, having learned it from life itself. If conscience is to count, then the effort to democratize business must go on. Any business man who is honest with himself will admit a like realization. He is face to face with a duty neither to be blinked nor shirked. These words, also, are used advisedly.

Even now, in our business, it may seem easy to end all these endeavors, turn our attention solely to the making of money, and accept all the surface advantages that come with the possession of money. Too many of us are content with that. Yet more and more are seeing that it is no longer so easy as it was to take your money, and leave behind them all thought of those who helped them make it.

If the world has made any advance at all in the past thirty-five years, it is to frown on the success attained by nothing but the arbitrary exercise of power and advantage. Time was when success fell invariably and without question to the man who had not only a superior ability, but a superior willingness to take advantage of his fellows. He was frankly admired for being so frankly what he was,

A MERCHANT'S HORIZON

the autocrat. That man begins to seem and to feel out of place. The right to success and the ability to attain it are far more evenly distributed among men than we used to think they were.

The spread of education, and civilization in general, have made this so. Every man in everyday touch with affairs knows it to be so. Public opinion is coming to reserve its laurels for ability to give, rather than for willingness to take. He best helps himself who helps others best, has been a moral precept long enough to have become wearisome and worn; but it is a principle in business.

Here in the mid-years of business experience, it has seemed to me a good time to sit down and reflect, to add up the ends gained in our own venture, take note of the like efforts of others, and perhaps risk a conjecture or two as to the course which these courses appear to be taking for the advancement of industry and its workers, and so for the good of us all.

It is heartening to see men of vision rising to leadership in business of a new order; yet it has always seemed to me that mere attainment of the name and reputation of leadership is not enough. Any man who is able to take a leading part in this

BUILDING FOR THE FUTURE

“business of humanizing business” must naturally feel it his duty to do so. If he failed to see the duty, he would scarcely qualify for his job. But he cannot stop short at the honors of leadership. It is even more his duty to pick his assistants and his assigns. It is good to see men making themselves useful, but they must learn how to share and bequeath their usefulness. The effort must be continuous. One may become as jealous of the satisfactions in this new leadership as the old-fashioned business man was jealous of his singleness of rule.

But along with these reflections must go a disclaimer. I have no thought of offering a manual of instructions or an infallible guide to others. I have no instantaneous cure for industry’s troubles or society’s ills. No one has such a thing, but too many make the mistake of thinking they have. No autocrat of the old school in industry, and no figure in society, is more pernicious than the dogmatist who is determined to enforce his recipe as the one way out of current and future perplexities.

There must be ways out. There are ways out, and many of them. But life is a maze of clashing interests and conflicting views. The true exits lie

A MERCHANT'S HORIZON

hidden from the keenest-sighted of us, and are never even glimpsed except by unremitting search. If the observations and experiences here offered hold up some light to others in that search, their only purpose will have been fulfilled.

CHAPTER II

NEW ASPECTS OF BUSINESS SUCCESS

FOR twenty-five years or more we have been making experiments in our store, in an effort to develop sound store relationships. These experiments were worked out slowly and cautiously, yet at first other business men who looked on were disposed to think we had lost our heads, when, among other things, we invited employees to the Board of Directors, shared profits with the rank and file, and created an employee Board of Arbitration with power to settle, without the slightest interference from the Management, any matter regarded as an injustice to an employee or group of employees resulting from a store policy or rule, a discharge, or a question of wages. These methods, once regarded as bold, have been the subject of much study by students of social forces and by business houses. Recently agents of the Russell Sage Foundation put in a good part of a year in examination of our practices.

Possibly it was the growing measure of success that attended our efforts to improve working rela-

A MERCHANT'S HORIZON

tions near at hand which led me to an interest in labor problems generally. And this interest has brought me valued and instructive experiences. Among them was the pleasure in helping to settle the garment workers' strike in New York in 1910, when a struggle of great bitterness and of long and costly duration was settled at last with Mr. (now Justice) Brandeis's inspiration of the "preferential shop." Whatever a man's business, the insight he gains into labor's needs, and the personal contacts with those who are active in these problems, are valuable.

The truth is that business itself has become a great educator, in many things outside itself, as any business man knows. He can tell you further that the man who never lifts his eyes beyond the immediate technical problems of his own business nowadays stands a good chance to fail. Business long since passed the point of being a mere matter of barter and sale. The day when any man with a little of the Yankee trader in him was sure of success has gone for good. Not only is business now approaching an exact science, a real profession, but it has become itself a social force, perhaps the leading social force. Not even Government has

NEW ASPECTS OF BUSINESS SUCCESS

as much to do as business with the shaping, for good or for evil, of the lives and fortunes of our people. And enlightened business men are keenly aware of the fact. Once, long ago, they had need of little concern but the amassing of money, by any means within the law. Now they cannot escape seeing how other lives, the life of the community about them, and even the welfare of the whole nation, may be affected in accordance with the way in which they run their business.

In our store we were thought of as taking a great risk when we divided our executive control of the business and shared it with our associates and then followed it with a share in management with a number of our trained employees. The truth is that we were ready and prepared to go further, and did go further. We made a strong effort to sound out our people, the rank and file, and learn whether they felt a real urge to take a hand in management. We had the thought that among the people behind the counter, in the stock room, or on the delivery trucks, there might be any number of bright minds and eager ambitions, all unknown to us — a sort of reservoir of undeveloped talent for business.

As we cannot have too many active minds and

A MERCHANT'S HORIZON

their new ideas in a business, if it is to progress, those of us in the store had a desire to tap this possible reservoir, for the benefit of ourselves as well as of those who might thus be helped to advancement. For this purpose we called in a committee, chosen at random from the run of employees, and asked for an expression of views as to how far the employees felt moved to take part in the management and improvement of the business.

There was no real response. On the contrary, the members of this committee, who were fairly typical of the rank and file, were frankly and unanimously of the opinion that their fellow employees had no desire whatever to meddle in management and control.

I am sorry to have to admit this disappointment. And the experience of others who have made some such tender to their people is the same as ours. The truth has been brought home to us that the day of full self-rule in industry, as it is understood in government, is still far distant.

In the light of this, it is better to turn round and take comfort in the progress already made toward beginnings in industrial democracy, slight as these may seem to those who are impatient. The ad-

NEW ASPECTS OF BUSINESS SUCCESS

vances made are not so slight after all, if we keep in mind the amount of preparation that was necessary even for these. It seems to me we are amply justified in regarding as a great onward step this mere leaning toward a reorganization of industry on lines more in accord with American ways of thought.

To my mind this trend toward less arbitrary and more democratic practices, even in the little distance it has traveled thus far, is the striking social change of our time, and one of the most important. If this beginning had nothing else to make it important, it would be important still, for the further advances which it foreshadows.

As it is, the swiftness of this ideal of a liberalized industry in rising out of the hands of theorists to a point where it has become a matter of daily interest and immediate concern to the public will, I am sure, surprise any one who stops to think of it.

For example, one of the questions raised in a recent book was as to whether industry must not some day recognize the years of service that a workman puts into a business as an investment of time equal in value to the money investment of another man represented in his holdings of stock.

A MERCHANT'S HORIZON

Critics of the book were inclined to regard the proposition as economically impossible, and the author as stimulating, perhaps, but a hopeless dreamer. Yet the principle he propounded has been, in its essence, in practical operation for years in an American manufacturing concern known all over this country and throughout the world.

For a long time democracy in industry was vigorously preached as an ideal. How many of its early advocates, I wonder, even the most earnest of them, really thought of it in their hearts as more than an ideal, as something to be striven for, but to be attained only in some far millennium? So many splendid ideals have a way of remaining ideals. Yet in the span of a generation this ideal looked upon as unworkable has pushed its way through the inertia that besets human nature, and has become a serious thing. From being merely advocated by the few, it is being approached in practice by a growing number in some form or another. And this all in a short stretch of time, and in a field naturally the most conservative and the most hostile to risk and experiment, the field of business!

Any new step in democratizing the control of industry now takes the place of the "trust-busting"

NEW ASPECTS OF BUSINESS SUCCESS

which was a staple of the news in Roosevelt's day. The "captain of industry," the business autocrat, who, only a little while back, was the popular hero, because it was then our habit to worship bigness of any kind in wealth or power, has given up his former place on the front page to news of labor's banking ventures, to Judge Gary's reduction of the work-day in the steel industry from twelve hours to eight, to Colonel Procter's guaranty of continuous employment for his men in the manufacture of soap, or to the highly important Chicago clothing market out-of-work insurance pact between employers and employees, and similar plans.

To me the meaning of this rings clear. Our people begin to set a new and better measure for bigness in a man. A moral standard is crowding aside the purely material standard in our judgment of what is leadership. A man now is big in general estimation according as his labors count for the general good, and not for his private fortune solely.

The American people have begun to see the importance of getting a little more of our boasted Americanism into American business, and have come to expect and demand it. The business man who now feels an urging to share his success with

A MERCHANT'S HORIZON

the people who help him create it need no longer rely solely on his own initiative and courage. The venture, he will find, is not the risk that it was. Before him are the successful experiments of other men as an example, and behind him is the growing pressure of a public hope that he will copy them.

So noticeable seems this pressure already that I firmly believe in the day when the business leader who sticks to the old one-man autocratic domination will meet with public disapproval in its sternest form — he will fail. His more progressive competitors, with employees who have been changed into co-workers, will crowd the old-fashioned czar to the wall. In fact the truth is that one of the strongest elements in the pressure moving the intelligent man toward a more liberal organization in industry is his discovery that it pays. It is "good business." It is sound economics. There are better reasons, of course, but that is one of the reasons why the American idea is spreading in American industry.

Two years ago a writer for the New York "World," sent to cover the country in a study of the advances made in business and economics,

NEW ASPECTS OF BUSINESS SUCCESS

counted several hundred American corporations employing one or the other device for letting a little more democracy into their businesses, by either a share in management, a say with regard to working conditions, or both, and all these in addition to numerous collective trade agreements. These concerns were by no means small affairs, in a position to risk any rash adventure because in any case they had little to lose; among them were, and are, some of the greatest industrial and commercial organizations in our history—which virtually means the history of the world. The roster is impressive: from Standard Oil, Colorado Fuel and Iron, Bethlehem Steel, General Electric, International Harvester, Pennsylvania Railroad, Philadelphia Rapid Transit, Hart, Schaffner & Marx, Dennison Manufacturing Company, down to smaller concerns known only to the trade, but still important in the numbers of them.

Many corporations, once held up to us as patterns of arbitrariness, have set up bold patterns in a new order of business that twenty-five years ago was only a dream. And this change in business method, involving a change in the attitude of employer toward employee, has been effected with-

A MERCHANT'S HORIZON

out blowing of trumpets, and without result to success in business, except to enhance it.

When cautious, hard-headed corporation heads of such standing and in such numbers are willing to risk the experiment of something that at least suggests less autocracy in industry, a thing of such moment has happened that instantly one wonders what can have brought it about.

The temptation is strong to conclude at a leap that we have entered on a wholly new conception of business, and that all that has been wrong has been sent to the dust-heap in a single cartload. The truth is, rather, that while the democratic idea — or, as I prefer to call it, the American idea — has permeated business rapidly enough, still the penetration has not gone far, and whatever of democracy there is in industry is yet, and must necessarily be, in diluted form. With good reason business friends all about me are asking, "How far is it really safe to go with this democracy in industry? And what *is* democracy in business, after all?"

Whatever it is, it is not a new thing. The really new thing in the history of industry is big business

NEW ASPECTS OF BUSINESS SUCCESS

—big business and the autocratic control it brought with it. These great corporations of ours, that either set the fashion of vastness in organization, or else led a world-wide economic trend that was inevitable in that direction, all date well after our Civil War. From their birth to the present they themselves hardly span more than a single generation. Large-scale business has its advantages, its economies of purchase, production, and distribution. But mere bigness for its own sake, as some of these vast combinations have shown, can grow to a point beyond the grasp of any one man, or group of men.

As I see it, it is the very bigness of big business that has forced on those in command of it this turning to experiments in a more humanly coöperative industry, and this not as a showy humanitarian move, but as a hard, practical endeavor to find some way out of ills of organization and management that appear inevitably wherever industry grows to giant scope and gets out of hand.

Among others, two of the greatest examples in all the history of big business, we are told, were willing to risk any new means that held the slightest promise of ridding them of almost chronic out-

A MERCHANT'S HORIZON

breaks or disaffection among their men. In these, as in other great industries, the few men in the management and the thousands of men in the works had grown so far apart that they had ceased to be acquaintances. They appeared to have become enemies instead, each in an opposite camp, and hurling defiance at each other. Wiser heads in big business soon saw that such a situation could not go on.

The remedy they hit upon was the simplest. Where business comes to be run on the great scale, its problems of operation and finance also grow to a great complexity. If even in smaller concerns the employee is not yet ready for a share in management, he is still less prepared for a part in business operations of any magnitude. Wisely enough, those in charge of the great businesses made no attempt in that direction. The remedy they tried for their ills was made purposely tentative, and it was administered in cautious steps. In the case of the Standard Oil and the Colorado Fuel and Iron Companies, the form of experiment chosen was employee representation in management, as they prefer to call it. By the arrangement set up, elected delegates from the ranks of the men sit in com-

NEW ASPECTS OF BUSINESS SUCCESS

mittee with delegates of the management and talk over wages, hours of work, and such other matters as immediately affect the worker. The ideal aimed at is a sort of New England town meeting, a point of junction where men and management can at least get to know each other. And while the discussions are restricted to the workers' interests only, and never wander into problems of company control, still this remedy has worked as far as it has gone. Those in control of these industries have made a discovery. Deliberately or by accident they have met, or have tried to meet, a human need. It seems to be an economic as well as a human need. That is the discovery that has been made. It will not solve every problem by a long way — but here is a start.

The American worker has no desire to be an enemy to industry or capital, or to those who control it. He has not the slightest thought of upsetting them, or taking them over. The industry he asks for is not one self-ruled, like his Government. He wants his voice to count where his interests are concerned, and he demands protection when he speaks out. In other fields he is beginning to make his own invaluable experiments by means

A MERCHANT'S HORIZON

of his own capital and power of combined initiative.

This whole trend toward more democracy in industry strikes me as no new thing, but rather as a revival, a return to more wholesome conditions. In this day of immense development in the use of machinery, we had formed the habit of thinking that men themselves could be handled like machines. The man had come to seem as impersonal as the machine he was employed to tend. And he has been registering his resentment in every kind of protest.

He has struck incessantly. The records kept by the Department of Labor, from its establishment in 1913 to the present day, show a total of strikes in that period well above five thousand, ranging from small disputes involving a handful of men to great struggles like the packers' strike, the shipping strike, the garment workers' strike, the coal strike, and others, that gripped the entire country, and were settled only after a loss in wages, profits, time, and production running into figures that are hard to compute.

It is charged against the worker that he has loafed at the machine or on the job — as if any one

NEW ASPECTS OF BUSINESS SUCCESS

of us functioned up to the full measure of his capacity! So many of us tend to become mere holders of jobs in the long run. We have been paying wages, of late, at a level that would have been thought outrageous before the War, but no rate of wages has seemed to appease the worker. The apparently large wages in many industries are quite the opposite if figured out in terms of number of weeks' employment during the year and actual purchasing power of the dollar. This enforced loafing is the basic cause of much labor and capital misunderstanding. The labor turnover and intermittent work have been by no means the least of industry's ills.

All these faults in our human machinery we have been setting down to pure cussedness. The worker has been recognized as a human being at least in so far as he could be cantankerous! That much of him was recognizably human. His massed mischief to industry and to our life in general we charged up before the War as simply a product of modern society, and let it go at that.

With the coming of the War a new set of industrial problems presented itself, and for a time the old was forgotten — only to reappear in more per-

A MERCHANT'S HORIZON

plexing form when the War was over. Soon again the worker was hurling the same protest to the world of industry, here at home as well as elsewhere. But here at least wiser men have thought, or felt, that, for the sake of their own business safety and well-being, the challenge had better be heeded. These men who are trying the effect of a little of the American idea in industry may have had only instinct to guide them. They had, however, the power to act; and it seems to me they have gone to the seat of the disturbance with some approach to a corrective. The motive of the business man may have been less exalted than that of the reformer. At any rate, he thought of an experiment worthy of trial, and he had the courage to try it. It may be that the business man turned his attention to strikes, and turnover, and all the other ills, because they were costing him money, and groped for the remedy, for the money-saving. Society has reaped its benefit from his efforts just the same.

As a business man myself, I am for putting things bluntly. While those engaged in this humanizing of industry avow they are doing so primarily because it pays, I hope we are all actuated by a finer motive than that at heart. The hardest of em-

NEW ASPECTS OF BUSINESS SUCCESS

ployers must see now that in his gang of men he has machines that require something better than mechanical adjustment. Laying aside all sentiment, as we must, the hardest man in business has made the discovery that behind the human machine is a man, with a man's rights, wants, preferences, and dislikes; and that it is good business, if it is nothing else, to minister to those wants and dislikes. The Dennison Manufacturing Company has found one way. We in our store have found another. And there are numerous others, and of wide variety. However they all may differ, in combination the effect of them is to bring back some little of an old element that we had left behind. Others may call it what they please; democracy in the germ it seems to me, important enough in itself, but most important of all in the human betterments it seems certain to foreshadow.

So far we have talked in pretty general terms. Coming down to fundamentals, just what is it that we are trying to do?

To my mind we have tackled the enormous task of adjusting to these great masses and organizations of workers in the present something of the

A MERCHANT'S HORIZON

lost personal relationships, the day-to-day contacts, the general sharing in a business success, that is believed to have prevailed in the olden days before the coming of machinery, when work was done by hand, shops were small, and their employees few. We have been a little late in sensing how much of value we left behind in that order of things, but the discovery has been made. One other and more important discovery has been made. We have been justly proud of our scientific industry and the great burden its infinite machinery has lifted from the backs of workingmen. This is a new thing in the world. But the man, the human thing on which all this machinery depends, is not new. He remains the same man that he was in the days of hand labor — only far more enlightened.

In those days when John Smith made shoes by hand at a bench, he probably stood a chance of personal expansion. A looser organization of industry then permitted readier recognition of his faithfulness and skill. The same John Smith who stands all day at a machine in a shoe factory inserting eyelets craves the same chance now. It is no concern of his that he is denied it by the more tightly knit industrial organization of to-day. So

NEW ASPECTS OF BUSINESS SUCCESS

far as he is concerned, the fault lies, not with him, but with industry. He wants his chance, and he looks to us to provide it.

In a word, John Smith was a personal entity in those days. He had a dignity all his own. His job was respected, and his skill in it might earn him a reputation. All this, modern industry, with its multiplication of machines and mechanical methods, has in many instances taken away. Somehow industry must have it back. Modern industry has made John Smith an index number on a payroll and an automaton at a machine. John Smith wants his mislaid identity restored to him.

But above everything else, the John Smith of that other day had satisfied in him the human need that is fundamental to every good worker. He had joy in his work. He could take pride in his own craftsmanship, in the skill of his hands. His product was distinctly his own. It gave him the means of self-expression, the exercise of his own peculiar gifts, his creative instinct. Modern industry may never restore that to John Smith, but it can try to give him a satisfactory substitute.

Somehow industry with all its great mechanical developments will have to go back to that origi-

A MERCHANT'S HORIZON

nally more contented John Smith, pick him up, examine into his cravings, and then respect him and them. In my view the worker's demand for that is imperative. It is not the worker who is on trial, for he remains original humanity itself; it is this over-organization of industry that is on trial. There are those who tell us that the wage system, and capitalism itself, are on trial, because they no longer yield the necessary satisfactions of life to the great majority.

I entertain no such belief, for my part. Some of the old satisfactions to the millions of workers may have disappeared, but in my view even this rigidly organized industry of to-day has them to hand back, or has other desirable satisfactions, if we can release them. This trend toward democracy is, consciously or not, I believe, industry's effort to seek out these lost rewards of work.

What do we mean by an "American idea" in industry? How is it to be defined? What do we really do, what methods do we pursue, what new forms of organization do we set up in business when, as we say, we try to get a little democracy into it? Perhaps it is better to ask ourselves how

NEW ASPECTS OF BUSINESS SUCCESS

fully we feel entitled to call the few things we do "getting a little democracy into industry."

To different men it means as many different things. I know of a manufacturer of a high grade of woolen cloth, with a plant in a small town removed from the natural centers of such manufacture. He chose his location deliberately in order, if possible, to have a settled body of employees, and be freed from the labor disturbances that were prevalent elsewhere. This man's industry is the life of the community; it almost supports the town. Many of his thrifty employees own their own homes. In relation to the lower cost of living where they are, the wages they receive are fair. They turn out a product that is sure of a market because of its excellence, and they are as sure of steady employment. They have a feeling of safety and they are satisfied with their employer. As a man, personally, the owner of this plant is, as we say, democratically minded. He, too, is satisfied with his employees.

To this man all the requirements of industrial democracy are met by the playgrounds he supplies for his workers; by the money he lends them for house-building; by the rest-rooms, wash-rooms,

A MERCHANT'S HORIZON

lunch-rooms he provides in the factory; but most of all by the good comradeship he bears toward them as a man. As an individual he is scrupulously upright; as a citizen he does his duty to his country. But as an employer he retains over his business a control that is absolute. So far as he is concerned his workers may, and should, remain what they apparently are — contented workers. Beyond the payment of wages, this man keeps everything for himself — and to himself. No one but he knows what his profits are, or has a share in them. He could, on a whim, sell his plant and retire well-to-do. But if he did, he would leave stranded and helpless an entire community, hundreds of workers and their families, whose fortunes are in the hollow of his hand.

This man can repeat the Declaration of Independence word for word, and it would probably shock or amuse him to be told that he is living in a day long before that instrument was drawn and signed. But it appears to be true. He is proud of living in a democracy, and is as much lord of his little feudal estate as any fifteenth-century baron on the Rhine.

At the other extreme are business men I know

NEW ASPECTS OF BUSINESS SUCCESS

to whom real democracy means the day, or a great hope for the day, when industry shall be subject to a large measure of responsible self-rule in some workable form not yet shaped; pretty much as government is — in a different way, perhaps, but as fully.

But these same men, with money to make or lose, are bound to give a thought to its meaning, as applied to industry at least. With some reason, they stop in the middle of their efforts to get a little more of the American idea between themselves and their workers; to ask, "When you come down to it, what do we really mean by all this? What are we driving at, and where do we stop? Are we merely to label the old practice with high-sounding new names, and go on with absolute ownership and control the same as ever? Is this thing of democracy anything more than chumming around with our men? They're not so easily fooled. We've seen that tried — and dropped. Or are we to hand over to the workers outright this enormously complicated tissue of finance, purchase, manufacture, sales, and distribution that we call commerce and industry? Is business to be voted instead of run? If that's what you mean by

A MERCHANT'S HORIZON

democracy in business, how much of it do you suppose we can take on and remain solvent? Life itself goes to pieces when business does. When will the average worker know enough of the mazes of finance, or the engineering problems of manufacture and production, to have a hand in running them? Only at a mighty far day." Yet some mighty steps forward in a business way are being taken even now — the growth of certain coöperative organizations and of labor banks is full of promise.

Reference has already been made to the committee of average workers we called together in our store for the express purpose of asking the workers themselves these same questions. Reference has also been made to the answer. The workers were neither desirous nor prepared to take a hand at once at the management end.

A year ago our firm caused a survey to be made of outstanding experiments in industrial democracy now under way all over the country, with a view of getting at the bulk and the meaning of the results arrived at. This survey covered field investigation of the important plans or schemes in operation, together with talks and correspondence with leading business executives, economists, engi-

NEW ASPECTS OF BUSINESS SUCCESS

neers, personnel directors, and others in contact with problems of industrial relations, and the report was almost a year in preparation. It is, we believe, the first exhaustive study in questions of the participation of employees in management. Later on I shall want to draw freely on this volume of others' practical experience. In sum and substance the report discloses on the part of many of those engaged in one or the other scheme of betterment in industrial relations a good deal of confusion still, a good deal of loose thinking, and above all the lack of any clear-cut definition of terms. One and all are fumbling for that. Still, in the main, those who had made even a moderate trial of it were gratified with the fruits of their efforts. Very few, indeed, had gone within any approach to the limit of giving their workers a real voice in the major functions of management. And on one point all were agreed, that the day of genuine self-rule in industry is very far away.

Thus, at the start, boundaries are placed about any definition of what is democracy in industry. Whatever that democracy is to be or become in degree, it must yet stop, apparently, far short of the worker's vote in finance and operation. This

A MERCHANT'S HORIZON

does not mean that a selected number of employees may not be trusted with managerial power, subject to veto, representation on directorate, and so forth. And it does not mean that workers in groups cannot undertake the experiment of enterpriser on their own account. That, as I have said, is going forward. Capital is at the disposal of all who know how to use it productively.

Still, this thought will occur in passing — two hundred years ago the same poor opinion was entertained of the average man's political capacity. What did he know of the enormously complicated processes of government?

Our democratic government is based on faith in the average man and his good qualities, and on the tendency that personal responsibility has to foster and develop those good qualities. And in my estimation the time will come when industry will have to do the same. We Americans are going to go on, secure in our free institutions, industrially as well as politically, only in step with such moral and technical progress as our people as a whole are able to make.

It is this, to my mind, that brings us squarely back to the importance of getting a little more of

NEW ASPECTS OF BUSINESS SUCCESS

the American idea into industry, however long it takes, and under whatever definition we apply to it. Whatever the political changes in store for us, they belong to a future day. So far as we are concerned the form of our government has been settled. Industry has become by far the most pressing interest to us all.

It is not only workers, but citizens, that we have in our employ. It is hard to see how our responsibility is to be evaded. And it is still harder to see how we can much longer send Jones the worker in steel or shoes or sealing-wax to the exercise of his rights as an American, out of an industrial order in which he is habituated to an autocratic control that was old before his country was born. Sometime the two chief interests in the average human life, the maintenance of life itself and the maintenance of a country to live in, must be brought into something of likeness.

Throughout the country the problems of government, local or national, are much alike: every business enterprise anywhere, large or small, even separate ventures in the same line of industry, must meet from day to day problems that are dis-

A MERCHANT'S HORIZON

tinct and peculiar to each of them. Society demands that for the safety of its investments, for the unbroken satisfaction of its needs, business must be and remain solvent. So the familiar differences between these two greatest of humanity's functions might be strung out indefinitely: the conclusion pointed to must be unmistakable to any one. The two great functions can never be run alike. The form of management that fits one may not, and fortunately need not, fit the other. This fact, it might as well be admitted at the outset, sets a limit to the full measure of democratic industrial control.

Then just what measure of self-rule, as so understood, *can* business undertake, now or ever? What form of democratic management *will* fit industry? How is this "American idea" to be defined, after all?

The original question returns, still without an answer in so many terms. The only possible answer at present is that in these days of its bare beginnings, we must leave this American idea in industry to be defined by its own performances in fact and deed. This impulse — it still is scarcely more than that — toward bringing the running and even the

NEW ASPECTS OF BUSINESS SUCCESS

ownership of American business more in line with American habits of thought is not yet ready to give itself up to words. But it is at work, not in terms of formula, but in beginnings of concrete experiment. Our own experiences in this direction are set out in the chapters which follow.

CHAPTER III

SOME RESULTS OF COÖPERATION

FOR more than twenty years we have tried in our store to broaden out those measures toward sounder industrial relationships which began with William Filene when he founded the business, over fifty years ago.

He was but one of a number of merchants of that older time when stores were small and employees few — men who saw the business necessity of keeping their sales force contented and encouraged, and therefore efficient. All that we have accomplished since then has been to reduce to a system the principles — it would be better to call them the habits of business thought — that were always my father's guide.

Organization is nothing more nor less than tying together the purposes and ideals of a business into concrete form, and then putting behind it a piece of machinery that will insure the carrying-out of those purposes, policies, and ideals. But you get nowhere unless you start with an aim, an ideal. Society has assumed the right to question your

SOME RESULTS OF COÖPERATION

good faith in it if you are without a purpose that inspires that faith. The most perfect organization cannot travel very far toward success unless it is driven by high purposes — purposes which cover not only the money-making functions of your organization, but extend to the rights of your employees to a just place in the business. Our whole effort has been to see that such rights are accorded to our people, as rapidly as they are able to assume and absorb full responsibility for those rights.

In the days when my father was alive and active in business, we gave little thought to hard-and-fast rules and policies to this end. But I can see now that it was always an ideal in his mind. For one thing he never hoarded the personal authority that ordinarily belongs to the head of a business, even in the modern conception. He never ordered things done. His belief was that one got nowhere with such power unless he had his organization with him in the conviction that the power was justly applied. Hence the thing to do was to genuinely deserve the confidence of your people at the outset. My father rarely acted alone. Even when my brother and I were still young men, he would ask us, "What do

A MERCHANT'S HORIZON

you think of this? Had we better do it this way?" So, early in our business life, we caught his idea of spreading and dividing responsibility, and accepted it as a fundamental in the building-up of the business.

He could never bear the idea of paying us mere wages. We all drew from the common till, according to our needs. When the founder withdrew from the business and turned it over to my brother and me, he declined to keep any share. There had been no partnership papers among us, no written agreements of any kind. The most he would accept was an annuity for himself and his wife for the remainder of their lives. In this simple way the business passed out of his hands and into ours. In whatever our organization has stood for since then, I hope the source of our inspiration has been made apparent. One incident may make it more so.

A department head one day went to my father and suggested that we were paying too high a rate for our money. As times were good and money was "easy," he thought he could arrange a reduction of the rate from six per cent to five, and obtained permission to do so. He interviewed the proper official at the bank, had no difficulty in

SOME RESULTS OF COÖPERATION

securing the lower rate, and reported the results of his errand. Later on, when times were not so brisk and money was harder to get, he had a different experience to bring back. The same bank found it had no money to spare, even at the higher rate. Whereupon the head of the house was obliged to take the matter in hand. He succeeded in getting what he wanted, and then gave this bit of advice. "Banks have to make money, like every one else. If you help them to make a reasonable profit when business is good, they are apt to remember it and return the favor when things are slack. It's only a simple business principle." And the advice sank in.

It would be hard to say at what particular point our effort to keep fellowship and fairness of dealing alive in the business became a deliberate policy. Fellowship had prevailed almost without effort when the business was smaller. As growth came our way and the number of helpers multiplied, it was, of course, harder to keep acquainted and fair with them. It is enough to say that in due time the effort became crystallized into a settled and deliberate method.

The method has been, like the business itself, a

A MERCHANT'S HORIZON

thing of gradual growth, a building process. We made no sudden discovery of the danger of losing touch with our helpers, and contrary to appearances the measures undertaken to keep that touch alive were not set going overnight. Yet all along we had felt, if not seen, that holding our people to ourselves as potentially interested and active work-associates in the business was one of the essentials to success.

Accordingly, in order that our employees should have all the scope and authority necessary to assert themselves in the business, helpfully to us as well as to themselves, and to the fullest extent they were willing and ready to go, they were organized into the Filene Coöperative Association, and their powers were precisely defined, as our own powers were later just as precisely modified, in a charter. This instrument not only lays before the employees the true reach of their powers, but it imposes upon them, by inference at least, the fullest use of those powers as a moral obligation. By word and deed it was made clear to the employees beyond mistake that this move of ours was not an empty flourish. For the sake of real coöperation we gave up a very large part of our authority in the

SOME RESULTS OF COÖPERATION

business. So large seemed the price that many who watched the experiment at the time did so with shakings of the head. The skeptics thought that we had gone in for merely cloaking the old business practices with a few showy formalities, or else we had lost our reason. The simple truth is that we wanted the coöperation of our people, on a better plane of relationship. We wanted that sincerely, and were ready to go far. What did we give, and what did we get?

I am not yet ready to assess the value of the return we obtained. The rights we gave up, the business functions we surrendered to our people, and how we came to do so, are the present interest.

Foremost, in the bald terms of its constitution, "The Filene Coöperative Association is established to give its members a voice in their government, to increase their efficiency and add to their social opportunities, to create and sustain a just and equitable relation between employer and employee." Of course the intent of the thing goes far beyond this. With all its straining after precision of statement, legalistic terminology is amusing and pathetic in its failure to lay down all it is that men have in

A MERCHANT'S HORIZON

their minds. It was more than formal rights and powers, it was a real tender of business fellowship, that we meant to offer. This we have had to express otherwise than in the cold terms of a constitution. No one who reads this Coöperative instrument would get it all. The rights are there, nevertheless, so far as mind can mean and language can state them.

First of all is the right of membership in the Association. This is inclusive. Every employee regularly on the payroll is by that fact alone a member of the Association. At the moment when a name of a new employee is recorded on the roll, he or she automatically becomes a member and is entitled to most of the advantages. At the end of ninety days he becomes a full-fledged member. In order that none shall be left out for financial reasons, no dues are collected. The Association supports itself through fees and charges aided by the proceeds of its own entertainments or other social and educational activities, but many activities are coöperatively maintained because they help to business success. The governing body of the Association has even gone so far as to vote not to permit the asking of funds from the Management by any

SOME RESULTS OF COÖPERATION

club, group, or individual, except with the approval of the Filene Coöperative Association Council. So sensitive are the members on the point of their own dignity and in regard to any intrusion of paternalism, that we of the Management are rarely asked to make good an occasional deficit in some of their activities. The privilege comes to us at all only because, as the Association is to be truly coöperative, members of the Management must be members of it.

The arrangement cuts both ways, for chief among the powers given the employees, after the right to administer their own internal affairs, is one permitting them every year to nominate a panel of at least six of their fellows who seem to them qualified for membership on our Board of Directors. From this annual panel we select four who sit with us as Directors. By the terms of our own corporate agreement we also make our own choice of two more employees as Directors. As the Management, so-called, consists of five members — my brother, myself, and our three partners — we thus deliberately create an employee majority in the directorship itself. For the employees themselves the practiced rotation is a benefit. No clique gets

A MERCHANT'S HORIZON

permanent possession of these directorships, to the hurt or jealousy of the others, and no one pre-eminently qualified for a directorship stands a chance of being permanently left out in the cold. We on our own part thus reap the advantage of a regular annual crop of fresh minds and their ideas, to the consequent freshening of our own.

Next in importance to this, the constitution of the Coöperative Association permits the employees, by a two-thirds vote, to initiate, amend, or cancel any store regulation, the change to take effect at the expiration of forty-eight hours, unless in the mean time it has been vetoed by a member of the Management. If vetoed, an appeal may then be taken before the Management as a body. If this fails, and after time for thorough deliberation, the employees may, by another two-thirds vote, pass their measure even over the Management's decision, and we of the Management have bound ourselves to respect such action.

Such advances to the worker appeared risky when they were first made. At times they appeared so even to ourselves. Since then we have seen these seemingly rash moves — with a single exception — successfully taken up and adopted in

SOME RESULTS OF COÖPERATION

other establishments, one by one. This exception is the right given to our employees to form, strictly within themselves, a Board of Arbitration vested with powers of a peculiarly sweeping nature. And the powers are very real. We stand committed to them as expressly defined and fixed in the Co-operative constitution and charter.

It is there provided that the eighteen major sections of the store shall annually elect a representative to sit on this Board of Arbitration. As the stated membership of the Board shall consist of twelve persons from the eighteen named — the twelve who sit on the Board being selected by a drawing just previous to the meeting — none know in advance just who are to pass judgment. In this way they are fairly sure of a full sitting at any time, regardless of illness or the vacation periods. A chairman, the thirteenth member, who must be a member of the Filene Coöperative Association Council (the Executive Committee of the Association), is appointed by the president of the Coöperative Association, to be confirmed by the Council, and to serve one year like all the others. In the words of the Coöperative constitution this Board, on the application of any Association member,

A MERCHANT'S HORIZON

“shall hear, determine, and have final jurisdiction over grievances or disputes, including such questions as wages, discharges, and working conditions between a Filene Coöperative Association member and the Management, between two or more members in matters of store interest as to the justice or application of a rule affecting a Coöperative Association member or members, or in any case in which any member of the Association has reason to question the justice of any decision by a superior or the action of any Coöperative Association officer, member, or committee. Full effect shall be given to all decisions passed by a vote of a majority of the entire membership of the Board of Arbitration. (The word entire is taken to mean the entire Board sitting, which is twelve.)”

This, it may be said, was giving out of our own hand a pretty large measure of authority over store discipline and operation. Especially so as the Management gave itself no right of representation by membership on this Board. In every instance it appears before the Board only as an absentee defendant, represented usually by the Personnel Manager, who conducts its case, as before a jury. In practice it is usual to have the grievance, on the

SOME RESULTS OF COÖPERATION

other hand, presented to the Board by the Executive Secretary of the Coöperative Association. But the aggrieved party must come before the Board in person, in order to be seen, to make his own plea, and to answer all questions. Then in a homely, intimate way, such as would prevail among acquaintances and colleagues, the ordinary rules of evidence and court procedure are followed roughly, with formal presentation of the cases for the appellant and the defense, the examination and cross-examination of witnesses, and the summing up. The vote of the Board is taken at the end, as a jury sitting in executive session. Its decision must be made known to both parties at issue within twenty-four hours. Usually it is given at once. And whatever the decision voted, we have bound ourselves to accept it without question.

So far the Board has never been tested in the full range of its powers. The tangles brought before it have centered about discharge, reduction of rank or wages, or the transfer of an employee from one position to another in the store. It may be of interest, in passing, that on the records the decisions of the Board have fallen with almost mathe-

A MERCHANT'S HORIZON

matical evenness between the Management and those who believed themselves, and were found to be, the victims of injustice. A prominent legal authority who was shown these verbatim reports of the cases tried, pronounced them as close an approach as he knew of to absolute justice in the settlement of human differences. But, apart from the effect on the employees produced by its decisions, this Board of Arbitration has exerted a subtle but profound influence on the business itself. It has exerted this influence by the bare fact of its existence.

The real nature of this influence, and how much it has been for good, how much, perhaps, for ill, it will do to keep in reserve for study later on. But the business man who reads this will be sure to ask at this point to what extent the running of our business affairs has been slowed up when a group of our employees supreme in themselves are allowed to put William or Mabel, fellow employees, back in their places after they have been let go for incompetency on the word of a trusted executive. How far is that executive, already negatived in one judgment as to an incompetent, going to load down the business with other incompetents whom he

SOME RESULTS OF COÖPERATION

dares not dismiss from a fear of losing caste himself in the eyes of his employers? These are natural questions, and at the proper point they shall have an answer.

Let me ask another question, and answer it at once. How much does the business gain, on the other hand, when William or Mabel, who were thought incompetent and probably were so, come back to work a good deal enlightened by the frank and helpful remarks they have heard about themselves during a trial before their own Board of Arbitration? Isn't their loyalty apt to be stiffened, their endeavors quickened by the offer of a new opportunity?

We have generally found it to be so. Some years ago a man in our employ was dropped as being incompetent or lazy, and appealed his case. During the ordeal before the Board he saw himself in a new light. On being restored to his old job, he worked as he never had before. The business soon had no more loyal hand than his, and none more industrious. And his subsequent standing among his fellow workers was indicated in his election to membership in the Board of Arbitration, where he afterward sat in judgment on others in the same

A MERCHANT'S HORIZON

predicament that he had been in himself only a few years before.

These are not all the undertakings we have set up with the employees. It will do to look into the nature and effects of these, and others, a little later. At this point the main concern is to make clear the simple processes by which we came to undertake these provisions. They were only a logical answer to events. On looking back, the steps we took appear so natural and easily taken that I venture to hope they may disarm those who still see risk in any surrender of the prerogatives of absolute control over things owned.

Those prerogatives were once universally regarded, and are still regarded too widely, as inherent in the ownership of business property. The man who owned a business felt entitled by all the laws of man and nature to boss that business without a particle of "interference." Or if the business was corporately owned, he felt himself a bonded trustee and equally above interference. In any capacity the old-fashioned man brooked no meddling in his business on the part of the public, and even scorned such a thing as help from his

SOME RESULTS OF COÖPERATION

employees — beyond their faithful daily tending of his machines.

Even in his heyday that sort of man was old-fashioned; he is more so now. Often, I think, men cling to autocratic control in business out of a mistaken personal vanity. They dread some loss of dignity or pride in climbing down from the perch of the absolute boss. Many a man, I believe, would gladly work with the talents and the brains he knows to be slumbering in the unencouraged workers who pass their lives at his machines, except that in waking such brains he fears to let loose some sinister attack on control. Nearly every man who owns or heads an important business has built it up from next to nothing, and by the very fact of his hard work in so doing his sense of ownership becomes exaggerated. It is notorious that many men who began as workmen themselves become the hardest bosses in later life. Anxious then about the fruits of their labors, they are apt to leave their business property to a son or sons, or otherwise keep it owned well within the family. Such a man is not so sure of handing down his business skill as well. And what the "old man" may have escaped, his successors are certain to encounter.

A MERCHANT'S HORIZON

The thing they are certain to meet, I believe, is a new day, in which the public is beginning to feel, and to assert, an interest in the way business is run. Whether we like it or not, the public has begun to "interfere" in a way. It is beginning to make its opinions known. We have seen that fact made clear of late in the coal industry. An abortive railroad strike of recent times fell flat when men in professional walks donned overalls, manned the engines, and ran the trains. The public has discovered from these and other examples that its fortunes are affected according to the way in which every business, even the smallest, is handled.

The man now looked up to as industrial leader is the man who besides sheer ability represents the brains and the loyalties that he has the courage to find and call to his aid in his business. If he has the courage to admit others to an earned share in his business success, he helps the public by that much. He helps it a good deal more as his business improves by the aid of more brains than his own.

There seems to me to be an element of cowardice in the man who puts himself at a great distance from his employees, and regards ownership or con-

SOME RESULTS OF COÖPERATION

trol as a right too sacred for them, or even the public, to touch.

The true value of ownership comes from the employee himself. It has been our own experience, and the experience of others I know, that no attack on ownership, open or covert, goes with inviting employees to a share in management. The average employee cares nothing for owning an industry. Its perplexities and losses are not for him. He knows that much about it. Not all its gains can blind him to its uncertainties.

Our move was an experiment only as it appeared so on the surface. It may have been pioneering at the time; but even then others were being moved in a like direction, and our own step had been so long in preparation that it was all but inevitable. The sudden attention it attracted made the step itself seem sudden. Whereas if any credit is accruing to my brother and our partners and myself, it is due only because, when events showed us the logical step to be taken, we did have the courage to take it. We saw that if we were to grow, and make a proper return to the community that contributed to our success, we had to reach out and take our employees along with us. Taking them with us

A MERCHANT'S HORIZON

meant the surrender of some of our authority. That authority we had cherished as much as others cherish theirs. We made the surrender.

Most business houses that have attained any size and success have grown from the most modest beginnings. This was the history of Marshall Field, John Wanamaker, and many another. And there is nothing out of the ordinary in the contrast between such scope as we now enjoy and the original Boston store opened by my father in 1881 on Winter Street.

Many another business has been handed on to the second or third generation, without impairment to its growth and prosperity. We of the second generation, and our partners, who have carried on in a business already established, can take no credit to ourselves on that score. As I have already said, the moves we made toward making work-associates of our people are not so revolutionary as they look. People often ask me how we came to originate these moves. The answer is, they grew.

In the case of some of them the growth may look a little dramatic, considering the simple seeds from

SOME RESULTS OF COÖPERATION

which they sprang. The Board of Arbitration, for instance, is the result of a trifling incident that occurred in the ordinary run of business, years ago. The story has already been told, but for the sake of the present argument, perhaps I may repeat it here.

Back in 1901 a department cashier one day came to us and complained because one of her assistants had been docked in her pay by the amount of shortage in her accounts at the end of the day. As she quoted the girl:

“If I’m short in my accounts, it’s supposed that I’ve stolen the money. If I happen to be over, it’s a ‘clerical error,’ and you pocket the money. It isn’t fair.”

The reply was that this was only the custom in mercantile houses; that the penalty was not harsh, and its purpose was only to make for accuracy. Our cashier was not to be denied. She stood her ground, convinced that her assistant was right. She forced recognition of the point raised as one calling for adjustment and even a reversal of policy. It was left to arbitration by a committee of three, one chosen by the girl, one by ourselves, and the third by these two. The girl won. That

A MERCHANT'S HORIZON

girl had on her own account "isolated a germ," as the scientist puts it, that pointed the way to a settled procedure. In 1901 we arbitrated a single sporadic case. Then followed a board regularly organized to arbitrate all such cases.

If our entire body of employees is now organized in a Coöperative Association, that is only an outgrowth, a studied elaboration of the instincts, the habits of thought that my father brought to the business from its earliest days. He proved his business sense in terms of success. But he was friendly by nature, and he saw nothing but help in the friendliness of his employees. Trying to deserve their friendliness seemed to him something that would be helpful to all. When they needed him, he never failed them, and up to the time they were two hundred in number he knew most of them by name. In carrying on the same human principle among nearly three thousand employees, we naturally had to resort to organization methods. But it was really my father who began the Coöperative Association of to-day.

On every Friday evening it was the custom of William Filene to hold a meeting of his employees, at the store or at his house, to talk over personal

SOME RESULTS OF COÖPERATION

problems or the business in general. These meetings were the forerunner of the elaborate system of classes for instruction now built up. In the earlier days of the business it would do to have the older employees instruct the newer ones in the duties and details of their tasks. Or general instruction was given at the Friday meetings. In the endless complications of a modern business such primitive methods would never suffice. Not only must the new employees have a training which the older worker has no time to impart, but the settled employee feels the need of a regular freshening in order to keep pace with the growing exactions of the job. Hence the store now devotes a fixed portion of its time and energies to school-work. In this respect it is a business college, for executives as well as rank and file, a laboratory in the science or art of buying, displaying, selling, and delivering goods. And these functions are respected for what they are, a science or an art, served in the interests of the public. William Filene had the same thought; we have had to build it into a system.

Our Coöperative Association exists for reasons other than to assert a common relationship in the business through the agency of organization. It is

A MERCHANT'S HORIZON

also to keep alive the social instinct among us all, our store acquaintances and friends. William Filene saw the cost in friction, jealousy, and dissension; we seek to avoid the same thing, and for the same reason. We also learned that our people resent the slightest taint of paternalism, the smallest intrusion from above on their purely personal pursuits. Accordingly the Coöperative Association is left to manage its own finances, its own benefits, its own restaurant, its own sports, its clubs, a regular winter musical play, its dances, bazaars, and all activities for entertainment or for gain. Indeed, the Management itself would feel an outsider in these things but for the cordial invitation to its members to share in such activities on the plain footing of good-fellowship. The Association publishes and supports its own weekly newspaper — not a trade journal or a house-organ, but a paper of personal news and gossip. The only connection allowed us with this is the buying of an advertising space which pays for a portion of the cost of publication.

Yet all these Association stirrings are a growth, somewhat dramatically sprung from insignificant beginnings. In the older days, before we moved

SOME RESULTS OF COÖPERATION

into the building at Washington and Summer Streets and were still in antiquated quarters, the revolving door had not been invented. This meant that in bad weather incessant opening of the hinged doors kept the store flooded with damp and chilly air. Whereupon it occurred to the superintendent, our partner now, to have hot soup and coffee brought in at luncheon-time for all of us in the store. In a little while, much to his surprise, a group of girls came to him with a complaint as to this.

"What!" he said, "you object? We mean it in nothing but kindness."

"That's just it," was the answer. "We'd rather do it ourselves."

Against our intention, the savor of charity had crept in.

"Tell us what you want us to do," he said.

The girls asked for a gas stove on which they could do their own cooking. A place in the basement was found for a gas-burner, and the young women were soon broiling a chop or a steak. Soon the original burner failed to meet the demand upon it, and soon after a line was regularly waiting for use of the larger stove that we installed. Then the girls employed a woman to do their cooking for

A MERCHANT'S HORIZON

them. As this seemed clearly a store duty, we agreed to have the cook under our own employ. And when the work grew beyond a single cook an employee restaurant took shape, run by a committee of their own and at no expense to the store except the rent and regular equipment.

About the period of the above experiment, the same superintendent explained and recommended to several girls his own method of handling his salary increases. This was to live as before on his former income and lay aside the entire amount of his increase. When the second increase came, it was his habit to improve his style of living by use of half the first increase, while putting by the whole of the second; likewise with the second and third, and so on.

"You little realize how easily and how fast your money will pile up in that way," he counseled. "Turn your commissions over to me and let me handle them for you."

A number of them did so, and in six months' time he was able to go to them and say,

"Do you know how much you have saved?"

It was \$3500.

As more and more of the employees tried this

SOME RESULTS OF COÖPERATION

method, the company undertook the rôle of banker and paid regular interest on the money, always handing it back as called for. In time this savings account became unmistakably a function of the employees themselves, and was handed back. It is now a full-fledged Credit Union incorporated under Massachusetts banking laws and run entirely by the employees, for savings, deposits, and loans, with deposits of a quarter of a million. During the War it served as clearing house for the dispersal of half a million dollars of Government bonds. Yet such was the simple beginning of the bank.

The founder of the store saw the good business in safeguarding the employees' health. The same aim is followed in the present store clinic, but the very name we had to apply to this growth carries a significance. At first it was frankly a hospital, but the word carried objectionable meanings to our people. They also naturally feared that records of their physical condition might militate against their employment. At present about two hundred employees and patrons daily keep three nurses occupied in a clinic which keeps no records, and whose functions are largely the prevention of ailments.

All along we have been keenly mindful of one

A MERCHANT'S HORIZON

obligation to the public to which we owe the largest measure of our prosperity. It is to pass along to the public in the form of lowest possible prices the savings that may be made by a more scientific application of management principles, with the lessening of waste, and with the economies resulting from quantity production and distribution. Yet in aiming at this fairness of prices I wonder if we are doing more than shape to the conditions of a new business era an impulse that is not so new. One of the cardinal principles of my father and others of his day was to offer sound value to the patron. By that was meant the fullest possible return in goods made under right conditions for the money asked. Those to-day engaged in the manufacture and in the retail distribution of goods have only become more self-conscious and deliberate in pursuit of the same idea, assisted by the more scientific machinery and methods at their disposal, and by an educated public. Assuredly right relations within an establishment is one contribution to that lessening of waste and loss which the public in its demand for just values looks for.

So, one after the other, the business moves we

SOME RESULTS OF COÖPERATION

instituted some years ago yield up the secret that, after all, they are but the product of older usages, the newer forms that ancient instincts have taken on. And this secret, it seems to me, is one to disarm and assure. If we startled those who watched us, it was only as we took thought and resolved, deliberately, that the old upbuilding forces in business, the forces leading to mutual helpfulness between employer and employed, should be preserved under suitable new forms in modern large-scale business.

This surface newness attracted attention to what we were doing. By reputation a "laboratory" for "experiments." I am moved to protest.

The covenants we have made with our people you may call by any name you please, but surely they are not an "experiment," and are not "rash." Such a view of them stands contradicted in the record of our growth. The powers and opportunities offered our people, or rather the old opportunities which were theirs in the day of smaller-scale business and restored to them, are real. And to an extent they have been utilized. The machinery of participation functions. And here is my point.

We may not be entitled to credit for originality

A MERCHANT'S HORIZON

in inviting the employee into closer association, but we have at least been early in proving that it works. Humanitarian moonshine, as many thought it, has not interfered with prosperity. This is submitted for reflection to those who feel drawn to make the same tenders of fellowship to their men and women, but are withheld by fear of the risk. There is no risk.

The skeptic may say, "I am willing to concede all that, because whenever you please you can wipe every bit of it from your books. You would be sure to do that in case some group of clever people put their heads together and plotted to use your scheme for taking your business away from you. And there would be no come-back. If you tore up your covenants and took your disbursements back again, either to save yourselves, or of your own free choice, not one of your employees could recover from you before a court of law. Naturally you run no risk!"

No court of law might be able to take us to task. But what about the court of public opinion? What about the court of our employees, and their views of us? Every one of them would be filled with disgust. Those who had poured forth their energies,

SOME RESULTS OF COÖPERATION

in answer to our encouragement, would leave us. Any spirited person would do that. Our organization would go to pieces. While we were rebuilding it, even on the old autocratic lines, our business might, indeed, be taken away from us, but by our competitors.

All this was taken into consideration before we went into profit distribution and management sharing. It was the thing that made the plunge an act of some courage. For this must be said of a move like ours — call it an element of risk if you like, although we cannot regard it as such — once you have set up this more liberal procedure in business, you stand committed. And it must be pursued in all honesty and good faith, or it will fail. Your people will be quick enough to find you out.

I am secure in the belief that such prosperity as we ourselves have enjoyed is almost wholly owing to the fact that our people are with us, at least as work-associates, if not yet as actual business partners. It seems to me certain that we would not have gone thus far without their active participation, without the resulting stimulation to each in his job, without the united effort they have all

A MERCHANT'S HORIZON

contributed to the business in general, and without this machinery we have for drawing in full on that contribution.

Thus far many businesses, I know, have grown by strict adherence to "business principles" solely. By many men that adherence is still looked to as the only infallible road to success. Until recently it was thought fatal to introduce any but the old "hard business" principles, so called, into business. The reply is that we, too, have enjoyed growth, and the conviction is rooted in me that the growth has not come in spite of, but because of the endeavor we put forth to serve with our people in bettering their own opportunities. We have demonstrated, I think, that that also is good, "hard business." And the profits to all have been far richer than those represented in dollars and cents.

As soon as it became known that this plan of ours had been set in motion, economists, students, and business men, stepped in, to "see the wheels go round." We were a "specimen" for dissection. By now the nature of our system has been made a familiar story. If our first venture was quick to

SOME RESULTS OF COÖPERATION

arouse curiosity, the results of it won approval. For the success of an enterprise can be truly measured only as against the purpose put in behind it. What a man has done, as appears on the surface, is one thing; it may be another thing altogether as gauged by all that he hoped to do.

The outward signs, only, of our success have been noted. It is not a story of failure, but of a work unfinished, of purposes not yet wholly fulfilled. The disappointment felt is not dismay, and we take it to be a mark of health. It is the signal to go on. We have not been expecting miracles, and it is no proof that reasonable expectations are never to be realized at all if realization is slow in coming.

I have said that we have our people with us as associates, if not as actual partners. There is the source of the disappointment. We have seen a certain democratization of industry started; its progress seems too short and too slow. After all, it is not merely efficient workers that we are trying to develop. Ordinary business has always attempted that, with fair results. We are looking to those larger results in business that spell general well-being, through the development of a partnership sense and coöperative relationship in business.

A MERCHANT'S HORIZON

There may be a brave showing in a paper statement of distribution of profits and a sharing in management: the test comes in the response behind the desk and behind the counter.

The truth is that it is not enough to offer your worker a vague chance. That is hardly half of it. You must then educate him and yourself to make the most of the chance that you both have for coöperation.

CHAPTER IV

AN EMPLOYEE CHARTER

WHY we came to link arms with our employees I hope has been made clear. The wherefores and promptings that have moved us have all been set forth. It is time to be more explicit and tell in detail how we did it, and what happened.

Before touching these working details I wish to correct an impression that may have been given in what has been said so far.

Once launched on our course, we did have a mind single to this binding of the interests of our people to our own. A large amount of planning was necessary, and much thought must still be put on the matter to keep it going. But we never lost sight of the fact that at the same time we were conducting a retail business, in a critical community, and against keen competition.

A department store of any size is a little world in itself, much more complicated and sensitive to upset than appears to the customer before the counter. Whatever our plans for reconstructing the spirit and method of the place, this delicate

A MERCHANT'S HORIZON

mechanism within it must suffer no jar. Here was our principal difficulty. The plans were ready, but we had to keep in our minds a reminder like a sign-board, "Business as usual during alterations."

Now that the plans are in effect, it must be kept in view that as they go on, so does business go on, the everyday business of a retail establishment, every day presenting new problems and situations for our employees to handle. Bright and bracing days bring us customers in more than the average number, as disagreeable weather cuts the number down. Be the number large or small, they come in all the infinite variety of humanity itself. Every customer is a separate problem. Treat him how you will, each employee has his daily work to do, demanding intelligence and tact.

These things are cited to show that, in order to launch new ideas as to mutuality in business, we did not stop business itself. The ideas were allowed to trickle in. It was a process of infiltration. It had to be. Interest in these ideas, and response to them, had to be inculcated in employees already sufficiently engrossed in their daily work. It was to be expected that their response would naturally be conditioned by still other facts. Employees can

AN EMPLOYEE CHARTER

become wearied at the daily task, and their interest in other matters however important is correspondingly lessened by the drain of fatigue. Each employee is a distinct human being, with a home life, a personal existence, as well as a workaday life, to lead. Each has a mind, a character, a capacity, with his own point of view and his own opinions.

There lay our problem, to step into such conditions and keep busy selling goods while we "sold" ideas. And the two processes had to go on simultaneously; they had to be made to harmonize, to mesh together. It took time, and the process is by no means complete.

By now it must be clear that we were not "dressing our show-windows" with a mere piece of fancy-work in organization machinery. Working-people are far too intelligent to be taken in by benefits that are only pretended. Neither was our purpose to sweat our people on the one hand, nor on the other to put them in the window as an exhibit in humanitarianism. Our purpose was to make them real colleagues in the business. As a starting-point in that direction we had first to make them and ourselves good business men and women.

Of course the chief aim of any distributive center

A MERCHANT'S HORIZON

like a store, and the only reason for its being, is to serve the public. And to serve, it must give value and satisfy. If the establishment fails to make money, it is doing neither. If it does make money by acceptable service coupled with real economies, it must not lose sight of the fact that its employees are its first means of serving. And now comes an important point.

Many employees learn their manner of serving the public from the manner in which they themselves are served by their managers.

The only astonishing thing about this principle is the frequency with which it is ignored. In a manufacturing plant, where the workers are at a distance from public notice, this fundamental rule of human conduct may be, and too often is, entirely ignored with apparent impunity. Or a short-sighted manager or foreman thinks it can be ignored. To a man of such a stamp the treatment of his people is a purely personal matter between himself and them. Nobody else is concerned.

It happens to be everybody's business. The wrong kind of management of men costs money. It costs in poor work, waste, and slack production, and in the end the public pays the bill. So does the

AN EMPLOYEE CHARTER

business where harsh or heartless or even indifferent treatment of the worker is allowed to go on.

Business men of the newer and more statesman-like type are rapidly opening their eyes to the fact that just treatment of the worker is, at least, good business. The modern manufacturer knows that to be successful against keen competition he must be everlastingly watchful, not only over the smallest details inside his plant, but over the invisible forces beating upon it from without. He knows that while his plant and his public appear to be far apart and out of each other's sight and knowledge, they are linked by a sensitive bond, and that along that bond travel swift responses from one to the other. Even the remote and scattered public that uses soap and towels, dishes and nails, cloth and shoes, has to be pleased if it is going to buy. And the worker writes his state of mind on his work in letters legible now to all but the hopelessly backward employer.

In a certain manufacturing concern of world-wide reputation an elaborate plan for employee partnership was instituted for the purpose of giving the business assurance of renewing itself in management ability and experience from the ranks below.

A MERCHANT'S HORIZON

The plan so pleased the workers and so spurred their interest that, among many benefits to the business, waste was voluntarily cut down to the minimum, the quality of the product rose to the maximum, and an "efficiency" system enforced for years was discarded as useless. Nearly five thousand workers had been lifted, almost as one man, to heightened effort by the stimulation of a heightened reward, and it would be idle to deny that the public at large profited accordingly. So did that particular business.

In a store, where consumer and seller come face to face and where methods take instant effect, it is all the more important to please the employee if the public is to be pleased. If we were to create contentment in front of the counter, we had first to create the same sentiment behind it. We made our effort in recognition of that simple fact.

We should be foolish to pretend that we are not gratified by the financial results of this effort. To pretend indifference to the fact that we have nearly three thousand reasonably happy workers in our employ would be equally an affectation. The money profits tell us a plain story, but the public's approval sometimes expresses itself in terms even

AN EMPLOYEE CHARTER

more plain and just as pleasant. Sometimes a gratified customer takes the trouble to talk out, in further evidence that at least one of our steps to service has succeeded. More curious patrons have asked how we did it.

The process hardly lends itself to description. You cannot, of course, call into being a spirit, a feeling, an atmosphere, by any piece of organization machinery, no matter how cunningly it may be contrived. Pursue contentment with too much system, and you arrive at irritation instead. The power to evoke loyalty and interestedness in others belongs to few and is a gift as distinct as Caruso's gift of a voice. Fortunately, we had in one of our partners a man with such a gift.

At this late day when every going business man has discovered for himself the importance of the human element in business, as is seen in the growth of the personnel movement, it is futile for me to lay stress upon it. If I here refer in particular to the work of this nature performed by one of our partners, it is not to throw into contrast the work of our other associates whose duties have been not the less valuable because they happen to be more

A MERCHANT'S HORIZON

technical and therefore further removed from the public interest.

From the beginning, as I have already said, William Filene saw the importance to business of the employee's point of view. And from the beginning this particular partner I have mentioned showed a penchant for working out this idea. Quite naturally his methods were his own. In essence they were no more than the simple doings of a friendly man busied in creating friendliness all about him. May I quote an outside observer in illustration?

This person once said: "For a number of years I have been a patron of various stores in various cities. To one of my loose powers of observation there seems to be little difference in the goods you all display, and similar slight difference in your methods of displaying them. But this I do notice, that in some stores it is always necessary for me to loiter about the counters for some little time before I can catch the attention of a salesperson. When I do so, I am almost sorry I have succeeded. My wish to be shown goods is taken as an inconvenience. Whether I buy anything or not, the salesperson seems to be relieved when I have gone, and

AN EMPLOYEE CHARTER

I share the same relief. I seldom go into that kind of place.

"Then I enter another store and encounter a totally different atmosphere. Wherever I go in the place, I am welcomed by the person behind the counter. Wares are displayed as if it were a pleasure. I am met courteously and cheerfully, and served promptly and helpfully. This must be good business, and I have often wondered why any establishment permits the other sort of thing to go on.

"Of course, the attitude of the salespeople reflects on the customer the kind of treatment they receive from above. Whatever the sort of treatment, they faithfully pass it on. In one store the employees seem to be in a perpetual state of uneasiness: in the other the cordial welcome seems to be genuine. Genuine or not, it is better business. You have the same thing in your own establishment, and I have often wondered how it is done."

Without knowing it this observer was speaking to the man so largely responsible for creating whatever we have of this atmosphere. He said to his visitor, "Come with me. We'll go down through the store."

A MERCHANT'S HORIZON

The visitor afterward reported himself as a good deal amazed by the attitude of good-will shown by every person greeted.

Method and machinery will never succeed in creating this sort of thing, but unless an organization is informed by such a spirit, it remains a mechanism, dead and useless. The most liberal plans for sharing of profits get nowhere unless there is a business to be shared, and the creation of a business begins at the starting-point of constructive relations between manager and men.

No failure of the imagination is so pathetic to me as the conviction entertained by so many that business is free from "sentiment," and who take immense pride in the alleged fact. The truth is that in a sense business is nearly all sentiment. Advertising itself is nothing but a systematized effort to build up a sentiment in favor of one's own products. There may be many varieties of such a thing as soap, and all of them good; but a few are in extra demand for the reason that a sentiment has been created in their favor. Our relations to our people are founded on the same principle of a sentiment. Call it honest intent or call it calculation,

AN EMPLOYEE CHARTER

the fact remains that we wanted to deserve the friendship of our people. It was admittedly good business, but it was something more. It was satisfying a sense of justice.

Based on this foundation of genuine fellowship, practical plans for a broader business relationship with our people stood some chance of success. It was a reasonable assumption that they were in a frame of mind to respond. The spirit was there; the ground had been prepared. The time had come for definite organization, for hard-and-fast-agreements, worked out in detail.

The bare bones of it all stand forth in the "charter," as they call the working agreement entered into by the employees' association and the firm. Not to waste time over the usual formalities of defining the name of the organization, the number of its officers, and their duties, let me proceed at once to the article in the constitution of the Coöperative Association which in conformity with the charter has been adopted by the Association:

PURPOSE

The Filene Coöperative Association is established to give its members a voice in their government, to increase their efficiency, and add to their social oppor-

A MERCHANT'S HORIZON

tunities, and to create and sustain a just and equitable relation between employer and employee.

Before going further, it would be well to explain here that years of practice in an organization of employees who have their daily duties in the store to perform had demonstrated the advisability of dividing direction over the expected activities of the organization among a larger group than the customary number of officers. These officers, being themselves busy employees, would hardly have the time for the fullest oversight over the organization's interests. Above all, we were looking to our employees to originate ideas and suggestions, to initiate plans and movements for the betterment of themselves and the business. The necessarily limited individual effort toward this on the part of a few officers would hardly enable the organization to meet its opportunities in full. The chances of that were the greater if the body could rely for the proper conduct of its business on the composite effort of a larger number of official spokesmen. Accordingly the idea of an executive committee, called the Council, was adopted.

To proceed:

AN EMPLOYEE CHARTER

ARTICLE III

Membership

Every employee when entered upon the regular payroll of the Wm. Filene's Sons Company or the Coöperative Association, and members of the Corporation, are members of the Filene Coöperative Association.

ARTICLE V

The Council and Elective Boards and Committees

Sec. 1. *Council.* The administrative powers of the Association shall be vested in a Council, which shall consist of the officers of the Association, the F.C.A. representatives of the Wm. Filene's Sons Company directorate, and one councillor elected from each section of the store as defined in the By-laws. (There are eighteen such sections.)

Sec. 2. No member of the F.C.A. shall be eligible for election to the Council who has not been on the regular payroll of the Wm. Filene's Sons Company for a period of one year.

Sec. 3. The term of the members of the Council shall be for one year beginning March and September, or until their successors are elected and qualified.

Sec. 4. A quorum shall consist of twelve members of the Council.

Sec. 5. There shall be the following elective boards or committees who shall assist in carrying out the administrative work of the F.C.A.

1. *A Board of Arbitration* which shall consist of
 - (a) Eighteen members elected as set forth in

A MERCHANT'S HORIZON

these By-laws, etc. [That is, one representative from each of the eighteen major store sections.] The Management as such shall have no representative on the Board.

- (b) A chairman to be appointed by the President of the F.C.A., and confirmed by a two-thirds vote of the Council.
 - (c) No member of the F.C.A. shall be eligible for election to the Arbitration Board who has not been on the regular payroll of the Wm. Filene's Sons Company for a period of two years.
 - (d) The term of office for members of the Arbitration Board shall be one year or until such time as their successors are elected and qualified.
 - (e) The Chairman must be a regularly elected member of the Council.
 - (f) The Chairman of the Arbitration Board shall hold office for the period of one year or until his successor is appointed and qualified.
2. And such other committees as may be later determined.

ARTICLE VI

Powers of Membership

Sec. 1. *Store Rules* (as defined in Store Rule Book). The initiation, amendment, or cancellation of any store rule may be proposed to the entire membership for action upon petition to the Executive Secretary by four per cent of the regular membership. The Executive Secretary shall immediately post notices of such petition in the F.C.A. club-rooms, sending copy

AN EMPLOYEE CHARTER

of such petition to the Management and the F.C.A. Council members, and also issuing a call for a vote of the F.C.A. within one week after receipt of the petition.

If two-thirds of the membership of the F.C.A. vote in favor of such rule, it shall go into effect at the close of forty-eight (48) hours unless meanwhile vetoed by the General Manager, President, or any member of the Management. (The term Management is intended to mean those members of the Management who are common stockholders.) If so vetoed, appeal may be made to the Management as a body. Any measure may be passed over any veto by ballot vote of not less than two-thirds of the entire membership of the Filene Coöperative Association, providing such vote has been preceded by one or more mass meetings at which the question at issue has been discussed, and provided that final vote is taken within ten days subsequent to veto.

Sec. 2. Members' power to vote shall be unlimited on all matters upon which a vote is required in the F.C.A. organization by its constitution.

Sec. 3. Any F.C.A. member has the right to arbitration on any matter as defined [in Article VIII, Sec. 1].

ARTICLE VII

Powers of the Council

Sec. 1. The Council shall have power to initiate all F.C.A. activities, recommend action to the various committees, make general rules and regulations for the F.C.A., receive the reports of its various boards and committees, and in general direct the work.

A MERCHANT'S HORIZON

Sec. 2. The Council shall have power to initiate, amend, or cancel any store rule affecting the discipline, work, or conditions of work of employees. If two-thirds of the entire Council in meeting vote to initiate, amend, or cancel any store rule, its ruling shall go into effect at the expiration of one week unless meanwhile vetoed by the General Manager, President, or any member of the Management. If so vetoed, any measure must be passed over such veto by ballot vote of not less than two-thirds of the entire membership of the F.C.A., provided that such vote has been preceded by one or more mass meetings at which the question at issue has been discussed, and provided that final vote is taken within ten days subsequent to veto.

Sec. 3. The Council shall nominate at their first regular meeting in September at least six members of the F.C.A. who will measure up to the necessary qualifications for the Board of Directors of the Wm. Filene's Sons Company, from which number certain directors shall be elected by the stockholders of the Corporation to serve for a term of one year beginning with the annual meeting of the Wm. Filene's Sons Company Store Directorate in September, or as may be designated in the By-laws of the Corporation and the F.C.A. Charter, Article IV. (No F.C.A. member shall be eligible for nomination who has not been on the regular payroll of the Wm. Filene's Sons Company for a period of five years.)

Sec. 4. The Council must confirm by a majority vote of the entire Council membership within one month from September 1st the Management's appointment of an Executive Secretary whose term shall be for one year. In the event of failure of the

AN EMPLOYEE CHARTER

Council to agree upon such candidate, the matter shall be referred to the Board of Directors of the Wm. Filene's Sons Company for final decision.

(A word of explanation is in order here. While the selection of an Executive Secretary is thus provided for in the constitution, in practice it has been found better for the F.C.A. to choose its own candidate for this office. In experience the usefulness of this officer was found to extend far beyond the routine duties of an executive. He has made himself the counselor and guide of every employee, and their spokesman to the Management in all cases of individual difficulty. His work became so delicate and important that in all fairness it was necessary to leave the choice of this officer to the F.C.A. itself. The Management, however, pays his salary. It is thus in the unique position of paying the hire of an employee over whose selection it assumes no authority.)

ARTICLE VIII

Powers of Elective Boards and Committees Other than Council

Arbitration Board

Sec. 1. On the application of any Filene Coöperative Association member, it shall hear, determine, and

A MERCHANT'S HORIZON

have final jurisdiction over grievances or disputes, including such questions as wages, discharges, and working conditions, between a Filene Coöperative Association member and the Management, between two or more members in matters of store interest as to the justice or application of a rule affecting a Filene Coöperative Association member or members, or in any case in which any member of the F.C.A. has reason to question the justice of any decision of a superior or the action of any Filene Coöperative Association officer, member, or committee. Full effect shall be given to all decisions passed by a vote of a majority of the entire membership of the Board of Arbitration or the Special Board of Arbitration.

Special Board of Arbitration

Sec. 2. Upon request of any member of the Filene Coöperative Association, a special Arbitration Board shall be called, consisting of one person chosen by the appellant, one by the Management, and a third by these two; and full effect shall be given to decisions of this special board in a like manner to decisions of the regular Board of Arbitration.

(This Special Board was planned to hear cases brought by executives or employees of high rank, adjustment of whose interests might call for special knowledge not enjoyed by employees of the rank and file, because it was felt that an executive might not care to have his case tried by a group of subordinate employees.)

AN EMPLOYEE CHARTER

ARTICLE IX

Recall

Sec. 1. Any section officer of the F.C.A. may be recalled under the following procedure. Upon a written petition signed by ten (10) per cent of the entire membership of the F.C.A. in the case of officers elected at large, or upon written petition signed by ten (10) per cent of the membership of any section in the case of sectional representatives, the name of that officer or those officers shall be presented for ballot.

Sec. 2. A member of an appointive committee may be removed at any time for cause by a two-thirds vote of the entire Council, provided that such member has had ample opportunity to present his side of the case to the Council previous to such vote.

Sec. 3. Any officer of the F.C.A. or member of committees shall have the right to have his recall tried before the F.C.A. Board of Arbitration, whose decision shall be final.

The routine articles and by-laws usual to all such instruments provide for amendments, the filling of vacancies, and the duties of officers and committees. Containing nothing out of the ordinary, such articles and by-laws may be passed over. But the scope allowed to the Executive Secretary of the F.C.A., as minutely defined in its constitution, and his duties falling as they do far outside the routine duties of an organization official, are

A MERCHANT'S HORIZON

of note; and hence the by-laws pertaining to the duties of the Executive Secretary are given in full:

BY-LAWS

Duties of Officers

• • • • •
4. *Executive Secretary of the F.C.A.*

- (a) The Executive Secretary shall see that a true and accurate account is kept of all proceedings of the Association, Council, Committees or Boards, both elective and appointive.
- (b) He shall conduct all correspondence for the Association in general and issue all bulletins and notices of the meetings.
- (c) He shall issue a call for initial committee meetings and shall act as Chairman pro-tem. until a permanent organization has been effected.
- (d) He shall be a member ex-officio of all committees unless otherwise stated by the Council.
- (e) He shall be required to maintain an efficient staff with the approval of the Council, capable of carrying out the provisions of these articles.
- (f) It shall be his express duty to see that the policies of the President and Council are faithfully carried out so far as is in his power.
- (g) He shall generally supervise all F.C.A. activities, in conjunction with the chairman elected or appointed.

AN EMPLOYEE CHARTER

- (h) He shall act personally or through assistants as general counselor to all F.C.A. members.
- (i) It is his particular responsibility to see that every help and advice is given to every member of the Association on any matter brought to his office so far as lies within his power.
- (j) He shall act as counselor for any member before the Arbitration Board (except that nothing is to prevent any member from securing other representatives if he or she so desires).
- (k) It shall be his duty to transmit to the Management all such matters as he may be directed to by the Council.
- (l) It is expected that he shall act untiringly toward the establishing of more cordial relationships between F.C.A. and the Management, and between F.C.A. members or groups of members.
- (m) He shall see that the Council is kept constantly and accurately in touch with all F.C.A. activities.
- (n) He shall see that every help is given in the forming of sub-organizations under the Council as well as to those already formed.
- (o) He shall be responsible for the publishing of "The Echo"; weekly or at such intervals as may be later determined.
- (p) He is responsible for the successful culmination of every F.C.A. activity under the Council so far as lies within his power.
- (q) He shall issue calls for all Association elec-

A MERCHANT'S HORIZON

tions and superintend the printing of ballots and election lists under the supervision of the Election Commission.

- (r) Upon the request of any F.C.A. member he must issue a call for the meeting of the Arbitration Board.
- (s) The Executive Secretary shall, so far as is possible, either personally or through his assistants, interview all new F.C.A. members.
- (t) The Executive Secretary may be recalled at any time for cause following the procedure laid down for the officers in Article IX, Sec. 1, or by the Management of the Wm. Filene's Sons Company, and a two-thirds vote of the entire Council.

While these provisions are fresh in mind, it may be well to hold up quotation for a moment, and pause over this officer of so many duties, so many responsibilities, and so little authority. Such a load laid on a single human being may appear to be humorously extravagant. To judge by these presents, he is a factotum who is all the officers rolled into one, who has none of their honors, does all their work, and takes orders from all.

He does relieve the other officers, whose regular employment in the store might hamper their attention to routine detail in the Association. This is the very reason why such a special officer-of-all

AN EMPLOYEE CHARTER

work was installed. As a matter of fact, the relationships and activities of the Association have so worked out in experience that the many provisions quoted above by no means cover all that is expected of this official, whose work is excessive only in seeming, and in reality is a most important factor in our store organization. For one thing it will be noted that we have even sent him outside the bounds of the Coöperative Association and given him — still informally — some of the tasks that rest on a personnel manager. This, too, was for a reason.

In creating this peculiar office of an Executive Secretary, we wanted a roving representative of both Management and Coöperative Association, who should have nothing to do in the store but serve as the spokesman of both, the amalgam between them, the conveyer of the spirit of each to the other. How work of such an order shall be done is hard to lay down by rule, and one provision, especially, in regard to this officer is lacking from those I have cited. They define what he shall do; the one missing should define what manner of man he shall be. The character of the job always fixes the character of the one who shall fill it.

A MERCHANT'S HORIZON

As the Board of Arbitration within this body has been referred to, and as the Executive Secretary of the F.C.A. has much to do with it, this seems an appropriate moment to set forth the precise terms of its being, in Article IV of the Association's By-laws:

DUTIES OF THE BOARD OF ARBITRATION

1. One representative to the Arbitration Board shall be elected from each section [of the store]; those from the odd numbered sections in June, to hold office from September 1st; those from the even numbered sections in February; to hold office from March 1st.

2. When a case is called before the Board, the member of the Board from whose section the case has come must be a member of the Board trying that particular case if in the store; eleven other names shall be drawn until a total of twelve members has been secured.

3. Requests for either the elected Arbitration Board or the small appointive board, must be made through the office of the Executive Secretary or Chairman of the Board.

4. Upon request of any member for the Arbitration Board, the Executive Secretary will notify the Chairman of the Board, the Store Manager, and the head of the pyramid (or store section) affected.

5. It shall be the right of both parties in the case to be present throughout taking of evidence.

6. Method of procedure.

(a) Statement of the case by the Chairman.

AN EMPLOYEE CHARTER

- (b) Appellant's plea.
- (c) Appellant's evidence in detail; witnesses; cross-examination by defendant's attorney.
- (d) Defendant's plea.
- (e) Defendant's evidence in detail; witnesses; cross-examination by appellant's attorney.
- (f) Summing up by counsel for appellant.
- (g) Summing up by counsel for defendant.
- (h) The Board shall then hold executive session, acting as a jury, in which the case can be freely discussed and a decision shall be rendered without prejudice, based upon the evidence received.
- (i) At the close of the meeting the Chairman shall immediately inform both the appellant and the defendant of the result of the meeting, the Secretary's written notice to be given them as soon as possible.

While the above is to be the accepted procedure, nothing shall prevent questioning by members of the Board at any time.

7. Rules of procedure.

- (a) Counsel for the store and counsel for the employee shall see that their case is properly prepared before coming to the meeting of the Board; if in the judgment of the Board the case has not been prepared, the Chairman may order a continuance.
- (b) All the evidence or testimony of the members of the F.C.A. in reference to any

A MERCHANT'S HORIZON

particular case must be made by them personally if they are in the store. If for any reason a member of the F.C.A. is not in the store, his testimony may be written and signed by him.

- (c) No evidence of any kind can be introduced to question the character or ability of any witness appearing before the Board except as follows:

In a case where the witness testifies to something as of his own knowledge, records may be introduced in rebuttal.

- (d) None but members of the Board shall be present at an executive session.
- (e) Nothing in this constitution or by-laws shall operate to exclude as witnesses or attorneys for either appellant or defendant persons outside the F.C.A. membership. Parliamentary rules shall govern the conduct of the Board.
- (f) All matters pertaining to any case shall be kept confidential by members of the Board. The records of the minutes shall not be shown to any except members of the Management and officers of the F.C.A., and to others only by vote of the Council.

How this Association of our employees travels about the business orbit will be fully plotted if I quote, in conclusion, Article XIV of the By-laws:

AN EMPLOYEE CHARTER

SUGGESTION COMMITTEE

1. *There shall be a Suggestion Committee*, consisting of
 - (a) Main Committee.
 - (1) Chairman.
 - (2) Official representative of the Management.
 - (3) Official representative of the Operating Committee.
 - (4) Official representative of the F.C.A.
 - (b) Sub-committee.
 - (1) Chairman of main committee.
 - (2) Chairman of all craft groups.
2. The duties of this committee shall be,
 - (a) To stimulate individual suggestions for the betterment of the business among those individuals not yet a part of an organized group of workers.
 - (b) To review at stated intervals any individual suggestions which may come to the committee and to reward such as warrant it.
 - (c) To review every two months the report of suggestions made by organized groups of workers in the course of standardizing their jobs, rate the quality and amount of suggestions made, rewarding individuals or groups whose work warrants it.
 - (d) To review every six months all adopted suggestions, with a view to seeing how well they are working out, informing the person or group making the suggestion of the findings. If the suggestions prove of

A MERCHANT'S HORIZON

more value than appeared in the beginning, additional reward may be given.

- (e) To record every six months in the employment office records those individuals who make suggestions, with their rating and awards.

Such is the constitution adopted under the bill of rights we gave our people, by our own desire and not at their demand. Its actual terms have been quoted at sufficient length to give a clear indication of the essence of the instrument — the charter of our store relationship.

Such are the dry, legalistic words — the necessary fixed terms of agreement — that we used to implant in our business a spirit and a method of more basic right relations. Having found this system of relationship with our people not only harmless but paying, it seems curious that it should ever have been thought radical. As it has worked out, at the end of some years of trial, it may not satisfy us, but it has confounded many of its skeptics. Considering how simple, how invariably safe and invariably profitable in every sense are these supposedly risky tenders of genuine coöperation with the worker, the amazing thing to me is, not that so many, but that so few are tried

AN EMPLOYEE CHARTER

The trained man of business who reads these terms of our agreements will grasp their full significance at a glance. To others they may appear to sound like a jangling skeleton. It is well to remember that, without some framework not necessarily lovely to look upon and fortunately hidden, nobody can stand, move, or have an existence. No human institution can live without laws; it sometimes pays to look into them. The Constitution of our United States, read by too few of us, may not read like a great epic poem, although in a sense it is one. At least some little of the same heart and purpose has gone into our modest bill of rights, and as these impressions are not recorded solely for business men, others who read may ask to see some of these rights in operation. Interest centers in these rights in action. But more of this later.

CHAPTER V

THE EMPLOYEES' PART IN PROFITS

IN this chapter I wish to tell the story of a phase of our business comradeship as exemplified in the experiments we have made in the last twenty years in the distribution of profits.

Profit distribution, I know, has been under fire from many quarters. The wage system itself, we are told, is on trial — in other countries much more so than in our own. We must justify our economic beliefs, and to the worker, or we fail and fall. And the wage-earner's mistrust of profit distribution arises from impatience with his wages, and the method or lack of method in setting them. His argument is that a business able to share profits with him should put the money in his weekly pay envelope and let him handle it himself. His share of any profits he has helped to earn he wants as a wage and not as a dole.

We started with the premise that profit distribution was not a substitute for wages, working conditions, or contentment. We have always attempted to pay as good a wage as the market wage or a

THE EMPLOYEES' PART IN PROFITS

better one for any particular job. Whatever we have distributed over and above this at the end of the year would be called an enlarged wage or an effort on our part to give an adjusted wage as distinguished from the going wage.

What is profit-sharing? Is it, after all, any more than an attempt to reach a basis of giving individuals what is their just due in exchange for work performed?

The British Board of Trade, in its special report on "Profit-Sharing and Labor Co-partnership in the United States" (1912), states that "Profit-sharing is understood to involve an agreement between an employer and his work-people, under which the latter receive, in addition to their wages, a share, fixed beforehand, in the profits of the undertaking."

Our experiments in profit distribution have, of course, included this type of profit-sharing in which the employee was given "a share, fixed beforehand, in the profits of the undertaking." In our particular type of business, however, this has not, on the whole, been satisfactory either to the Management or to the employees, so that at the present time our profit-distribution system is

A MERCHANT'S HORIZON

much more elastic and responsive to individual situations. Our business has grown quite rapidly, and in spite of the most earnest efforts of all concerned, we have been unable to foresee all of the contingencies that might arise. We have attempted at the beginning of each year to set up standards agreed upon by the Management and the employees, and because of unforeseen circumstances found later that some of the conditions were altered so as to call for corresponding alterations in the plan of distribution. They may not have been serious alterations; nevertheless, the spirit of the plan required taking due heed of actual situations, so as to do no injustice.

I have always felt that it is necessary to have a flexible as well as a substantial distribution of profits to make any plan successful.

The net result of our experiments has been to convince our employees that we were seriously desirous of distributing as much of the profits at the end of the year as we could, in justice to the business as a whole. As a result, during the last few years we have been given a free rein by our employees to try a more elastic distribution that has not been dependent on rigidly prearranged

THE EMPLOYEES' PART IN PROFITS

standards. This has been possible only because our employees were convinced of our sincerity and our desire to deal justly with them. Their own representatives, sitting with us in our consideration of these matters, impressed on us the value of this experimental attitude. Consequently, to-day we have not a single contract with any employee in our business. To some employers this may not seem unusual, but to one who knows that it is the practice of many department stores to give contracts to most of their major executives, extending from one to five years, it may seem an unusual procedure.

I think that I am right in saying, however, that our executives would not go back to the old basis of bargaining for a contract and a stipulated amount of the profits of a given department. This is due entirely to our policy of paying as high a market wage as possible, and then, at the end of the year, after careful consultation, distributing to our personnel as much of the profits as, in the judgment of the Management, it would be safe for the business to so distribute.

I do not want to imply that this is the only method of distributing profits. I do feel, however,

A MERCHANT'S HORIZON

that our experience, and the steps by which we have arrived at this present stage of profit distribution, may be of some help to the employer who is groping, as we are, to find a fair method of giving the worker his just due for work performed.

In 1904 we installed a system whereby the department executives were given profit-sharing certificates. Each of these department profit-sharers had a certain number of shares of the profits of his department. The non-selling executives were also given profit-sharing certificates and were known as general profit-sharers. A considerable amount of money was paid out to department shareholders on this basis, but the general profit-sharers did not receive as much as we would have liked to have them receive. This plan remained in force for eight years.

We then attempted to work out a definite bonus arrangement for each department based upon increase in sales and specified gross profit. This plan remained in force for about four years. This in turn was given up because there were too many variables to make for just returns to the individual.

In 1916 we attempted the same plan again, but set a quota, and gave a percentage of the increase

THE EMPLOYEES' PART IN PROFITS

in sales over this quota, provided an agreed upon gross profit was secured. This again resulted in an unbalanced distribution owing to various expense factors.

In 1917 we fixed a definite dollar bonus, provided certain minimum requirements were met as to sales, gross profit, and expense, and gave a bonus of fifty per cent over and above the profit set in the quota. One third of this bonus was distributed to the buying organization, one third to the selling organization, and one third to the non-selling organization. The percentage of the third which each group of employees was to receive was predetermined, and the individuals within that group shared on a basis of salary.

In 1918 we tried the same type of experiment as in the previous year, but limited the profits to thirty-seven per cent of the excess over the quota. Twenty per cent of the amount payable to each group was set aside as a special fund to compensate individuals who had performed especially meritorious service.

In 1919 we again continued this experiment with a slight modification of distribution within the three groups.

A MERCHANT'S HORIZON

In 1920, 1921, and 1922 we again reverted in part to our former plan. We distributed a bonus to the buying organization based on the percentage of increased sales and gross profit over a predetermined quota. The selling employees with the exception of salespeople, and non-selling employees were given three weeks' salary. The salespeople, shared through their weekly commissions, and certain other executives were paid a special award for especially meritorious service.

This, you will note, was our first departure from definite, predetermined standards, in so far as some of our executives were concerned. This was the first period in which the employees and ourselves were at all satisfied with results. The satisfaction was so evident among those who were paid without any predetermined standards that we determined the following year to attempt this for the entire organization.

In 1923, therefore, we definitely announced, after due conference, that there would be no predetermined requirements throughout the store, but that our buying and selling organizations would be judged largely on the basis of their improvement in profit, although this was not to be the sole

THE EMPLOYEES' PART IN PROFITS

standard of judging, for there were considerations aside from profit that should be noted. The salespeople shared through their commissions, while the balance of the organization was awarded a bonus entirely on the judgment of the Management. This was the first time when we could truthfully say that there was general satisfaction with the method of distribution.

This was a long step from the quota system that we had been experimenting with over the past years. It required a considerable amount of confidence among our employees to let us make this experiment, but the general satisfaction that resulted demonstrated that this confidence was not misplaced.

This year we are working on the same basis.

I have stressed the experiments that we have made during the last twenty years, in order to show the foundations of our relationships. It would not have been possible, without these foundations, for us to have made what may on the surface seem an arbitrary distribution of profits to the satisfaction of all concerned.

It is essential to state that it is not only the amount of money that is distributed in the way of

A MERCHANT'S HORIZON

profits that counts; it is also the way in which the distribution is set up. It would have been possible for us to have done what many a corporation does, that is, give large sums to a few of our chief executives and think that we had done our duty in this respect. We have always remembered, however, that all of our people contribute to our success; not just a few major executives. So we have tried to distribute our profits as widely as possible. The youngest stockboy in our organization is entitled to his share as much as the principal officers of the corporation. The only problem we have tried to solve is how equitably to divide between these two individuals. We have always felt that giving large sums to a few is neither equitable nor good business. Our personnel realize what we have been trying to do, and have been consistently helpful in these efforts.

During the last eleven years of our operations, 41.7 per cent of the earned surplus has been paid to the employees, other than the Management. This amount distributed to our employees includes all the forms of compensation (other than weekly or monthly fixed wages) which we have paid out.

THE EMPLOYEES' PART IN PROFITS

One of the difficulties in this problem of profit distribution is to keep clear the distinction between profits and wages. After an employee has received a commission, bonus, or profit distribution share for a period of years, he is accustomed to consider it naturally as a part of his wages. We realize that this is the case in our own institution, and that a portion of this 41 per cent would be considered as wages by some of our employees.

There is a tendency to anticipate the receipt of the bonus or profit share and spend the money in advance. But even if the expected share of the amount to be distributed is forthcoming, one may have been a gambler and not a business man. If it is not forthcoming, he is in debt and is demoralized by worry. It is a matter of real education for any one to train himself in saving and adjustment, in the same way that the business man is obliged to train himself.

But in spite of occasional untoward effects the newer type of business man will go on trying to find the best way of sharing the fruits of common effort, knowing that it is the right course to take.

What has profit distribution done for our own organization?

A MERCHANT'S HORIZON

Beyond possibility of doubt, it has contributed heavily to the creation of the "one-family" spirit — and of that, we dare to think, we have a generous measure in our establishment. To be sure, there is no system of accounting yet devised fine enough to figure out what percentage of the prosperity written on our books is owing to this spirit and to our work in profit distribution.

This we do know: our employees believe in our good faith. They know that we conscientiously undertake to distribute each year as large a portion as possible of our surplus as is consistent with business safeguards. We have made some mistakes in our experiments, but we have tried to profit by these mistakes. This our employees realize, and they are willing to go along with us.

CHAPTER VI

SHARING IN MANAGEMENT

WHAT has the Coöperative Association, with its ambitious charter, done for itself and for us?

From the standpoint of business as conducted yesterday, and even to-day, we have watched it and worked with it in the feeling that so far as it went it has measured up to reasonable expectation. Into the hands of this body are committed, without reservation, many of the business opportunities, the physical welfare, even the pleasures, of every employee, in so far as our store has any contact with such matters, and the employee consents. Their private lives, even within the store, are their own to live. We wanted — always, be it remembered, for the store's sake — every one of our workers to be in good health and spirits, to have full pay for full earning capacity, and to have full opportunity of advancement to the limit of capacity to undertake business responsibility. The bare bones of the constitution drawn up for this purpose give but a limited idea of all the powers conferred. What use has the organization made of

A MERCHANT'S HORIZON

them? How far does it share in the actual executive operation of the store?

Suppose we look first into the most ambitious feature of our programme of business kinship — the Board of Arbitration. After all, the real test in the relations of one man and another comes at the point and in the amount of friction, and this Board was expressly created for taking care of such occasions. How does it deal with them?

Be it remembered that we of the Management have deliberately deprived ourselves of all right to sit on this Board, or appear at its meetings, except through a qualified employee representative who acts as our “attorney” in all cases presented against us. No guide as to its procedure is supplied to us except stenographic reports of the testimony taken and the decisions rendered. As we are naturally parties to all agreements, policies, and rules within the business, these decisions clearly come to us as a matter of right. But for a real picture of this Board at its work, I must rely upon an observer who was among the few from the outside who have been allowed or invited to attend its sittings, and whose account I am privileged to quote below.

SHARING IN MANAGEMENT

For reasons, clear enough on their face, all matters pertaining to each case before the Board of Arbitration are kept in strict confidence by the members themselves. No one has access to its records except members of the Management, officers of the Coöperative Association, and, very occasionally, outside investigators of our methods like the one to whom I have referred.

Naturally an employee who has brought before the Board an issue intensely personal to himself must expect to hear complaints against his work or charges against his competency. These, if given publicity about the store, even the publicity of rumor, would cripple the employee's chances of further usefulness to us and to himself, or his chances of employment elsewhere. Or a finding of the Board favorable to an employee might imply some reflection on the judgment of the executive who removed him, with consequent injury to the authority and usefulness of that executive. Injustice would result in both cases. The interests of both store and employee, we find, are best served by secrecy on the part of the Board; by its hearing, weighing, judging, and then forgetting — this last the most important of all.

A MERCHANT'S HORIZON

Once the Board has handed down its decision, another matter of even greater delicacy remains to be adjusted. Sometimes an employee, with every intention of accepting his discharge as final, has resorted to the Board for vindication and, in seeking other employment, to remove from his record the stigma of a removal. In the event of a favorable outcome, the effect would be nullified if the fact of the trial were made public, and we have no wish to handicap any employee in his progress elsewhere. A discharge we are content to regard as an individual matter arising out of circumstances that might not have come to pass in another place.

Even more, the aggrieved employee who wins his case before the Board, like the executive who loses, has a delicate problem to face in his reinstatement. Each of them has once more to get along with the other. That matter must be left to their good sense. No organization machinery is conceivable for effecting compromises of such a nature, but we can at least prevent the publicity which would make them difficult or out of the question.

I feel some timidity in saying so, but such records of this Board as are available form an

SHARING IN MANAGEMENT

absorbingly human document. They have served as a means of priceless value in checking up on the success or failure of our effort. We may have put together our machine with the utmost care and caution. In theory and on paper it may look perfect. The real facts of its functioning can only be registered in these sometimes painful human contacts, after all. I feel justified in saying what I have said about these records of the Board by the fact that we of the Management have often learned from them the slips of judgment that we ourselves may have made.

I here quote from the observer referred to above who studied our system and witnessed the handling of one of the cases argued before the Board:

Clearly the success of this Board of Arbitration comes from the informal character of its methods. In a court of law a clever lawyer will utilize the very rules of evidence themselves for a cunning suppression of the truth. Here there was nothing but an earnest, and yet not too tragic, endeavor to turn up the truth, all of it, let it hit where it would. There was no jockeying, no sophistry by attorneys; no brow-beating of witnesses; there were no personalities, no impugnings of character. A group of employees, acquaintances in the same line of work and under the same employ, heard the plaint of the store and the

A MERCHANT'S HORIZON

plea of another employee, and decided which they thought was in the right: that was all. I was told that one case in the history of the Board had run for three days; most of them are settled in an hour or two.

To catch the real temper of this Board, to savor its fairness, one must have sat at one of its meetings. I had been permitted to look over some of its "court records," and had been duly struck by the spirit of fair play evident all over them. After a sitting with the Board I found them a rather pale reflection of the actual event. The "court stenographer" is bent only upon a matter-of-fact account of the proceedings, and neglects to set down, voluntarily or by direction, much by-play and side conversation among the Board members that goes far to elucidate points in a case. The aggrieved employee with a plea to be heard may be an old acquaintance or at least a familiar figure to every member of the Board. It is needless for them to go into a laborious examination of the merits of the issue he presents, which they may have heard of beforehand, or grasp at once. And while the rules of evidence are observed in a loose, informal way, it is often this exchange of a word or a glance about the council table among the members which clears up any doubtful point in a manner not reflected in the stenographic report.

The meeting I had the pleasure to attend was called, I suppose, with the usual promptitude. Tony Leonardo — let us call him that — had received a "removal order," in plain English a discharge, on a Friday. Evidently, during the week-end, he had turned the matter over in his mind. By Monday he had come to a decision. He would lay his case before

SHARING IN MANAGEMENT

this Board of Arbitration which he had heard of as a wonderful feature of the organization, purposely set up by the Management as a means of obtaining justice against themselves!

Accordingly he visited the store and laid his trouble before the Executive Secretary of the Coöperative Association. Tony well knew the steps he should take, for every week, on the back of his pay envelope, he found printed the full list of his privileges as an employee. If the English language happened to be unknown to him, some fellow employee could easily, and doubtless did, explain them to him. Among these privileges was the right to appeal to the Board of Arbitration just such a matter as his, a discharge which seemed to him unwarranted and unjust. Any member of the Association might so appeal, and Tony knew that as a regular employee he was automatically a member of that inclusive body. He further knew that to start the machinery going he had only to notify either the Chairman of the Board, or else the Executive Secretary of the Association, under which the Board functions. As this Secretary was most likely to act before the Board as his "attorney" in any case, Tony consulted the Executive Secretary.

Now before the Executive Secretary consents to present to the Board any grievance laid before him, he first goes over the whole matter with the aggrieved party. If, in his opinion, the case is so hopeless that the party presenting it stands no chance whatever before the Board, he frankly so informs the appellant. In this way he sometimes saves the Board much useless waste of time and energy. While it is the Secretary's appointed duty to champion the interests of the

A MERCHANT'S HORIZON

employee who has an appeal to press, he cannot be wholly unmindful of the interests of the business, either. Naturally the employee with a grievance paints it in the strongest possible light. If, with all this in mind, the Secretary is convinced that the employee with a fancied wrong has no real case, he advises his client to accept without demur the fate that has been doled out to him. In this instance Tony Leonardo appeared to have a real case.

Tony was fired on a Friday. On the following Monday he asked for a hearing. On Tuesday he got it. This promptness of action, the Board has made a matter of pride and habit.

The session was held behind the usual closed doors in one of the rooms allotted to the use of the Coöperative Association on the top floor of the store. As usual, the necessary members for the sitting were summoned from their regular occupations, as floor superintendent, buyer, salesperson, etc. And as usual the meeting was held "on company time." As it was the vacation period, the mustering of the required twelve members was not so easy as usual. Here the wisdom of electing a panel of eighteen in all — one for each of the major sections of the store — was apparent. Suffice it to say that the needed twelve members were forthcoming, including one from the division of the business in which Tony Leonardo was employed — a wise provision, helpful toward arrival at a just decision, and written in the rules for that express purpose.

In Tony's case the provision proved itself especially wise, for it was immediately evident to the Board members that the peculiarity surrounding Tony's

SHARING IN MANAGEMENT

grievance was new to most of them, and all had to lean heavily on the explanations of the spokesman from Tony's division. But apart from the technical charge leveled against Tony — violation of rules and failure in performance — the issue in his case narrowed itself down, as so many of them do, to a clash of temperament, a personal difference between an employee and his immediate superior. In Tony's case the only difference lay in the particular violence of the clash of tempers and temperaments represented, and perhaps the further fact that neither Tony nor his foreman was personally known to the Board. Likewise unknown was the nature of his work. Tony was employed in the factory manufacturing clothing, in Cambridge, and the character of his work it was necessary to bring out in the testimony, technically and in greater detail than is usual.

Tony was given a seat near at hand, while the twelve members of the Board ranged themselves along the two sides of an improvised long table, with the Chairman at the head of it. The only other person, besides the "attorneys" and the witnesses, admitted to the room is the stenographer who takes down the minutes.

At this particular meeting, five of the members of the Arbitration Board happened to be women; the others men whose ages ranged from twenty-five to sixty. Throughout the proceedings the men smoked and the women had an occasional nibble of candy. It was clearly an unconscious, and yet deliberate, effort to be rid of any atmosphere of any funereal formality. The members were known to each other by their first names, and sometimes jested with each

A MERCHANT'S HORIZON

other. The appellant sitting by, waiting for the session to open, was made to feel that he was not before a court or a grand jury awaiting indictment or trial, but among understanding friends, who owed a duty to him as well as to their common employer. It was just as clear at the same time that this was neither a tea-party nor a debating society. While all savor of a court of law is avoided, parliamentary rules are observed, and the Chairman discharges his duties less as a judge than as a moderator as he rules on the admissibility of evidence, passes upon objections, or entertains independent questions from other members of the Board. For all may break in upon either "attorney" with any query that occurs to him on a point left doubtful or obscure in his mind. Witnesses for either side, if they are in the store, must answer as if it were a subpoena and summons to appear, and any store records or files needed as evidence are made freely accessible.

In one particular the rules of procedure laid down in the F.C.A. constitution have been loosely overridden, or amended, by custom. At the close of the session the aggrieved party is occasionally permitted to make a final statement, to introduce any factor in his favor, or clear up any point, that he thinks his attorney may have overlooked. Neither is objection raised if, during the proceedings, he sometimes lifts his voice and takes a hand on his own account in the examination of a witness.

The sitting was the more interesting to me because I had been privileged already to look over a number of case records, and had been struck by the simple means, but the studious effort they pictured to arrive

SHARING IN MANAGEMENT

in every instance at a decision absolutely just and fair. In every instance the record showed the effort to have been eminently successful, whichever way the decision fell. At the actual session this earnest striving for fairness was even more apparent. If the law of human average counts for anything, the appearance of fairness is further borne out by the fact that so far the decisions of the Board have fallen with almost mathematical evenness between the store and the aggrieved employees.

Having called the meeting to order, the Chairman asked the "attorneys" — the Executive Secretary, for the appellant, the Personnel Manager for the store or "defendant" — whether they were ready to proceed, and opened with the simple statement:

"This is the case of Tony Leonardo, presser in the clothing factory. His removal order reads, 'For violation of the rules and generally unsatisfactory service.' His plea is for reconsideration and reinstatement. Mr. Secretary, will you proceed?"

The Executive Secretary begins: "I should like to make a brief statement. This is a rather unusual case, because in the past, and to some extent in the present, there is a feeling on the part of some F.C.A. members that those other members in the Cambridge factory who belong to the Union are not entitled to as much consideration before this body as are regular members of the F.C.A. here in the store. This appellant is an employee in the factory, and is a Union worker. To the best of my recollection we have had to deal with but one other Union case, and I am particularly anxious, for the sake of the appellant and the F.C.A., that the fact that he is a Union member

A MERCHANT'S HORIZON

shall not weigh against him, as, of course, it does not in the store. Here is a splendid opportunity to prove to the Union that every member of the F.C.A., Unionist or other, has equal rights before this body. The particular removal order that we are trying to-day is based on the charge, 'Inability to get along with the foreman, and generally unsatisfactory service.' In order that the Board may have perhaps a better picture of this case, and because the appellant asserts that the removal order was brought about by a number of obscure causes, I am going to ask Mr. Leonardo several questions instead of stating the case for him. I am going to ask the appellant to correct me where I am in error. How long have you been with us, Mr. Leonardo?"

"Five years, sir!"

"The appellant claims that his work has been satisfactory throughout his five years, and we shall try to bring out that fact through the questioning of such witnesses as the store itself may summon. Almost a year ago, as I understand it, some difficulty arose between the foreman and Mr. Leonardo. Is that right, Mr. Leonardo?"

"Yes, sir!"

"At that time Mr. L——, the factory manager, sent for you and asked you to come back in our employ. You had left the factory, I believe. Is that true?"

"Yes, sir!"

"Did Mr. L—— fire you, or did you leave of your own accord?"

"I left on my own accord. The work was too hard. I had to work overtime every night. And I didn't want to lose my health that way!"

SHARING IN MANAGEMENT

"It is a fact, then, that you left of your own free will, and were not discharged?"

"Yes, sir."

"You left of your own accord because of this unpleasantness and because the work was too hard?"

"Yes, sir, that's right."

"Then Mr. L—— went to the Union offices to inquire where you were and to ask you to come back. You thought then that all difficulties had been smoothed over, didn't you?"

It is needless to go much further with this questioning by which the Executive Secretary, with a good deal of skill, established the fact that Tony had been an employee for five years; for most of that time he had been a workman good enough to incite the factory manager to hunt him up and ask him to return; and that any falling-off in his work was owing to a temperamental want of harmony with his foreman, likewise of Italian extraction.

When Mr. L—— and the other witnesses for the store had testified, it was clear that Tony had contributed his own share of temperament to these differences with his foreman. They conceded that he had been a good workman; but he was talkative, inclined to be a busybody. He was forever turning electric fans on and off. He stole moments from his work to enjoy a smoke in the rest-room. He was late to come and early to go. At times he had neglected his pressing-iron long enough to burn garments. By lagging at his own task he slowed up the chain of processes in the wake of his particular link. In a number of ways he had been exasperating and a trial both to his foreman and his factory manager. Both

A MERCHANT'S HORIZON

of these had borne with him and befriended him as long as they could. At heart he was likable, and he further attached himself to their sympathies by being in indifferent health, and being the father of four children. The nub of the whole matter was that they had borne with him to the limits of endurance. His infractions of the rules and the tax he laid on the patience of his superiors had become the last straw on the camel's back. What was to be done with him?

For two hours they went over the matter. Then Tony's attorney summed up, and the Coöperative Association may forgive me if his remarks are quoted as a typical example of the method in vogue in this unusual tribunal. It reviews the facts with scrupulous fidelity, it offers an earnest plea based strictly upon them, and in the plea there is no stressing of any advantage whatever. The one thing to be said of it is that under the circumstances, and for a man without professional training in the law, it was a masterpiece of exposition and pleading. I might add that the Executive Secretary enjoys the admiration of the Board. They delight to see him in action. And wherever the circumstances in a case lend themselves to their sympathies and emotions, he is sure to make the most of the situation and nearly always wins his point. On this occasion he said:

"Ladies and Gentlemen of the Board, in coming to a conclusion I am going to ask you very respectfully to take into full consideration first of all the dull type of work we have heard described here, and also, I would not say the measure of intelligence, but the scale of thought to be contended with in the factory. We might judge a college graduate a little differently

SHARING IN MANAGEMENT

from the judgment we would pass on a person with little or no education. Hence the testimony has brought out situations in which a man capable of deeper reasoning might have acted more wisely than my client has done. This is the case of a clash between a good foreman and a good workman. Oil and water, we know, will not mix. Yet each may be a useful ingredient. As I see this case, we have in it the elements of both — with perhaps a bit of fire besides. At any rate, a feeling has existed between these two men for some time. I am sorry that the store did not see fit to bring the foreman here. I was hoping for an opportunity to question him also. As he is not here, let us accept the testimony we have heard and try to see the situation through it.

“From that testimony we have learned that Tony had reason to regard Mr. L——, the factory manager, as his personal friend, the man to whom he should report and on whom he could rely. In this supposition, Tony was either right or wrong. If he was right, then he supposed that the factory manager would step in and smooth the differences with the foreman. That appears not to have happened. The foreman was left to settle his own differences, and the disheartened Tony dropped off in his work and attention to duty and discipline. You have heard the testimony as to this, and may judge for yourselves.

“As far as my client is concerned, I don’t see that the testimony was strongly against him. It was brought out that formerly Tony alone did sixty-five pieces daily, and sometimes eighty-five, with overtime; whereas with an increase in the force, three men turned out only one hundred and thirty pieces.

A MERCHANT'S HORIZON

Clearly something is wrong here. Whether that something is the appellant himself, or whether it is the combination of the appellant and the other two men, is for you to decide. In my estimation the faithfulness of this man is proved out of the mouths of the witnesses against him. He has been here five years, and their one complaint against him is a weakness of disposition. And reasons have been given for his discouragement. When I asked the factory manager whether he would take Tony back, on the condition of his making peace with his foreman, the manager said he would. Then I submit that Tony's infractions of the rules were not serious enough to warrant his discharge. A foreman, who also has a temper, was responsible for that. The issue thus narrows down to the foreman and the man under him. It is not for me, but for you, to decide whether it was the duty of the manager to handle the affair. His view, according to his testimony, was that it was best to leave them to themselves. The foreman did the deciding, and did the firing. I leave it to you, the Arbitration Board, to decide if he acted fairly in doing so."

The sequel is that by unanimous vote of the Board, in executive session as a jury, Tony was ordered back to work on the condition that he would sign a paper promising that he would obey all orders of the foreman, that he would obey all store rules, that he would stick to his work until excused, and finally forget all past differences and become his old self as an efficient worker. Certainly there will be few to deny that this was not only fair, but generous. And now for the anticlimax.

SHARING IN MANAGEMENT

Tony declined to sign the agreement, and later announced that he had sought and won vindication only to improve his chances for work elsewhere! By this step both Tony and his employers were relieved of all further embarrassment!

It might appear that in this instance the labors of the Board had been wasted. But were they? Along with Tony, our own good faith had been vindicated. No employee had left us with the complaint that he had appealed to the established machinery for justice, and had been refused. If we of the Management feel a satisfaction in this, the members of the Arbitration Board and all the other employees must feel it also. And if the employee who left us was aided in his further search for work, that is only further reason for satisfaction.

The observer I am quoting concludes thus:

This meeting I was privileged to attend occurred at a time when the Arbitration Board as an institution was an old and settled thing. I was the keener, on that account, to note whether the members performed their duties with the same zest as when it was new, or whether indifferently because these duties had become to them a monotonous routine. This move on the part of the store management in resting such responsibilities in the hands of its em-

A MERCHANT'S HORIZON

ployees was meant to lift them, indeed, into a keener interest and a more active part in the business. It would have been easy and natural for the employees, when the Board was first instituted, to expect too much of it for themselves. Those elected to membership might justifiably have supposed this new thing to be something to lift them at a stroke into individual prominence and authority in the business. The gap between earner and manager might well have seemed to them bridged in a single span. If the operations of this Board of Arbitration so resulted, then all the employees would look upon it as an avenue to the same sudden elevation for themselves.

Were they disappointed? Had they tried the thing while it was a novelty, and then dropped back into the dogged contentment with his lot that is too often the wage-earner's frame of mind?

Perhaps the query had come to me because of a shrewd observation dropped by the Executive Secretary when I met him. He said: "The danger with any institution is that it is apt to get old. Sameness is the thing that makes people listless. You've got to be forever starting something new, if you want to hold interest. And your new moves and methods are forever getting old and stale and losing their stimulating effect. When we moved into this new building, everybody was proud of the big, beautiful thing. It was a great stimulant to effort. We all worked harder. Now the beauty has become familiar and matter of course. If our efforts remain at the same pitch of energy, it's owing to stimulation from some other source. Everybody needs to be either teased or

SHARING IN MANAGEMENT

prodded by something, to do his very best. Wages, even good wages, are not enough. And the trouble is that the best inducement, the finest incentive you offer has a tendency to become flat and stale in time, and loses its effect. It's plain human nature." Had the incentive to a keener interest in the business, held out to the employees through this Arbitration Board, lost its pulling power?

On the word of an eye-witness, it had not. The dignity and pride that the members felt in their station were unmistakable. So were the keenness of their attention to business and the thoroughness of their work. They sifted the facts in regard to Tony Leonardo as if he had given them their first case. As the Board membership changes yearly, the honor of election and the novelty of service will always remain fresh, and as an institution in the business it seems fair to assume its stimulation of interest will continue indefinitely.

I am willing to believe this to be true. One drawback may be suggested against the operation of this machinery of arbitration. Does all this apparent watering-down of authority, so that many minor executives and employee representatives shall share it in part, slow up business action and kill off initiative? Does our system develop good executives more rapidly than do the methods of the old order? We think that it does. Once in a while a bright and energetic young man complains

A MERCHANT'S HORIZON

that it takes too long to bring his abilities to notice. Through the divisions of authority ahead of him, he thinks it hard to rise. In some cases this may occur. It may happen, as a consequence of our arbitration practice, that an executive will worry along with one or two incompetents on his staff, rather than drop them at once, risk their appeal to the Board, and the possible success of that appeal. To win his own case against them, he must add to his regular work by the keeping of records and data for evidence — an arduous task and not a pleasant one. It may be so. But there is a compensation. The employee who wins a case before the Board may disclose to us an unfit executive who has misused his own opportunities.

This we do know of the Arbitration Board, that it has built confidence in the good faith of the Management because our people have full scope in one of its most vital operations.

CHAPTER VII

EMPLOYEE INITIATIVE AND COÖPERATION

COMING now to the more general activities of our Coöperative Association, how have they operated to effect closer business and personal relationship within the organization?

Nearly all establishments like ours spend money, time, and energy to provide for employees' physical benefits, rest-hours, recreation, and social enjoyments. This is now widely observed as the modern way. Employees want it, that's one good reason. Another is that it pays. Our work-associates, by all the tokens from which it is possible to judge, have faith in this work and they do their part in keeping it going.

The individual member of the store family need not feel lost in the crowd. As only one of the instances in which the effort to uncover and develop original gifts showed itself, I might cite the case of a young stenographer who was found to possess a talent for music a good deal out of the common. Our store has long had a band, under a competent leader, and it is our practice at certain

A MERCHANT'S HORIZON

seasons of the year to begin the daily tasks by a period of music and dancing before the store is opened in the morning. Both sexes are represented in this band, and to one discriminating eye and ear this one performer stood out at once. On inquiry the young lady was found to be fired with a love for music and a zeal for a career. She was accordingly placed under able instruction, and she may now go on to express herself and give pleasure to others as far as her gifts may carry her.

As the charter of the Coöperative Association plainly indicates, our people go their own gait in all matters affecting their personal lives, within the store apart from their duties. The lightest hint of paternalistic interference is avoided. The employees originate and manage their own amusements, their own benefit societies, restaurant, recreation-rooms, outdoor sports, vacation clubs, classes of instruction, library, lectures, loan funds, dances, and what not. We are desirous only to see these activities prudently handled and solvent: although at times, where some venture has run into unforeseen obstacles, we are privileged to help out.

For some years our people have annually staged

INITIATIVE AND COÖPERATION

a musical show, under the direction of their Executive Secretary. This has now made itself a fixture of the theatrical season in our community. By stages of practice and experience the quality of this little "follies" play has been raised to the point where a public, by no means restricted to our employees and their friends, will keep it in one of the leading theaters for a week of crowded houses.

The public's opinion of the piece is not our concern here. Within the store we have found it a remarkable means of bringing executives and workers into acquaintanceship. People who learn to play together find it easier to work together. The variety and volume of talent for public amusement that these annual shows have disclosed among our people has been truly surprising — perhaps most surprising of all to the performers themselves, hard-working business people, all of them, who suddenly find they can do things they never had supposed possible.

In fact the liveliness of these purely social activities and relationships might amaze those who visit a mercantile establishment and see in it nothing but a more or less mechanized institution for the distribution of goods. It is not that we give an

A MERCHANT'S HORIZON

undue amount of business time to these interests. The work-day remains the work-day. But these humanizing activities go on all about it with vitalizing effect.

Every week our newspaper of personalities and employee news, "The Echo," published by the Coöperative Association, keeps us of the Management fully informed as to all these stirrings. We learn, in the summer-time, of victories earned by the baseball team, or of the progress of other outdoor sports, the popularity of the cottages hired and used by the summer vacationists. Winners of prizes in salesmanship contests may be announced. We may read an editorial comment on some new business policy we have instituted, and as often as not the comment may be adverse. In the winter-time come the dances, the lectures. Especially popular or prominent store figures are good-naturedly caricatured. In every issue we are made to feel that we are members of a little community and are learning to know, individually, names and characters and physical appearance.

The business day brings its numberless personal contacts. Our office doors are always open. We listen to criticism, suggestion, and advice. In the

INITIATIVE AND COÖPERATION

meetings of the Board of Directors we regularly talk business with elected employee representatives. The mechanism of organization we devised within our business for this purpose seems to have succeeded.

Wherein, then, are we disappointed with what we have thus far accomplished?

The question instantly plunges us against the whole difficulty that lies across the way to the genuine liberalizing of industry as we want to see it ultimately. One difficulty is the almost invincible timidity of many an employee in taking hold, in taking advantage of these opportunities of a growing stake in business that are freely placed before him. A timidity so tragic in its nature and in its effects must have some good reason for being. We ourselves are not alone in having encountered it.

Why this hesitant attitude on the part of the worker who is known to be dissatisfied with mere wages?

We know that timidity exists. There is no mistaking the evidence. I have already referred to the committee we selected at random from among

A MERCHANT'S HORIZON

our employees, with the rank and file as well as the executive end represented. Impatient with the fairly glacial progress we were making, with all our efforts, toward a greater degree of democratization in our business, we called this committee together for an outright expression of opinion as to the reasons for the employee's preference not to respond.

It was no haphazard test that we made. And we were not content with a single test. The committee selected held a number of meetings and gave generously of their time and thought to the following topics suggested for their consideration:

We desire to have your view of the ideal industrial relations that should exist in an establishment like ours.

We ask you to determine how far such relations do exist in our store to a reasonable degree.

Can you think of a new advance step that would improve the relations that now exist?

Are there, among our large staff of employees, a reasonable number of individuals sufficiently interested in this subject to give it time and effort, perhaps over a period of years, with the idea of turning up some plan that would be of benefit, not only to our store, but a contribution to business advance in general?

INITIATIVE AND COÖPERATION

The rather abstract nature of these queries led the committee members afield into discussions too general to permit a conclusion, until, after one or two attempts to shape a report, a voluntary sub-committee took the questions in hand and reduced them to a form in which it was easier to answer them. In a little while the sub-committee on Industrial Relations had this to say to us:

After a good deal of desultory argument, we have reached the conclusion that our duty is to fix our minds singly on three questions:

1. Do satisfactory industrial relations prevail between ourselves and the Management?
2. Where do they fail in being satisfactory?
3. Are they, at any point, more than satisfactory?

These questions must be answered from two points of view, that of the employer and that of the employee. To determine these points of view we have set down in one column a number of items under the heading, "What does the employee expect from his employer?" In another column we asked, "What does the firm expect from its employees?"

Frankly, we found this task so difficult that we have decided to refer the matter to you for your judgment whether you are getting the service you require.

In order that you may see where we stand on the employees' end, the two columns of questions and our answers are here attached:

A MERCHANT'S HORIZON

WHAT THE FILENE EMPLOYEE EXPECTS FROM HIS EMPLOYER

1. A living wage — his full market value.
2. Reasonable continuity of employment.
3. Proper working conditions.
4. Opportunity of advancement.
5. Participation in the profits.
6. Protection and remuneration for long service or infirmity.
7. Reasonable opportunity for recreation or vacation.
8. Arbitration of any unfair conditions.
9. Opportunity to participate in coöperative movements.
10. Voice in management.

DOES HE GET IT?

1. Yes, generally speaking. There are only eighteen receiving as little as the wage fixed as a minimum by the State.
2. Yes.
3. Yes.
4. Yes.
5. Bonus, yes. Profit-sharing (no, in the usual sense).
6. No, except as charity.
7. Yes.
8. Yes.
9. Yes. The Filene Coöperative Association and all it stands for.
10. Representation in the Board of Directors. Arbitration Board.

Attached to this last question, "Voice in management," was the significant notation, "Not an employee requirement, nor highly valued by every employee." Here followed the items of service that an employer may reasonably expect of an employee:

1. An "honest day's work."
2. A minimum of absence.

INITIATIVE AND COÖPERATION

3. A maximum of punctuality.
4. Loyalty; pride of employment.
5. Willingness to help prepare another for his job.
6. Willingness to prepare himself for the job ahead.
7. A sense of "job-responsibility," increasing with length of service.

Note: The phrase, an "honest day's work," seems to be the simplest way to express whole-hearted effort in return for compensation paid. It also includes all the many necessary attributes of efficient work, such as courtesy, tact, coöperation with fellow employees, thoroughness, etc.

Further questions as to the duties, rights, and responsibilities of the Management as well as the employees were asked. The committee looked into experiments of democratic as opposed to autocratic control of industry; they were asked how far they thought the principle of democracy could and should penetrate into the business structure. Not to run further into needless details, it is enough to say that these questions, laid before this representative group of employees at several meetings with them, provoked a discussion which proved stirring to our people as it was to ourselves. Men find out what they truly think only when they think and talk things over.

I will not weary the reader with the revelation

A MERCHANT'S HORIZON

of interest in purely store business we discovered. One by one questions were discussed in a manner to convince us that our employees were thinking "on the job." Finally, we took up the question that opens the door to the whole problem of democracy in industry.

Does the average employee desire a voice in management?

We had put it squarely before the employee himself. And his vastly significant answer was, No.

The actual expressions reveal a great deal.

Said one of them: "A Voice in the management? The employee will refuse to accept the responsibility that goes with the privilege."

One of the men put it: "I don't think the average employee feels that it would benefit him to have a voice in the management. He doesn't consider it his job."

Said another: "I don't think the average employee's mind is trained to think in the same lines of thought as the Management. The problem is beyond him."

Here is the view of one who has been with us for a number of years: "It would take their time and

INITIATIVE AND COÖPERATION

take them away from their jobs, and so make it harder for them to get along in their own line. Take a salesperson, a cashier, or a buyer; they have to be on their own jobs every minute. They are expected to be at their posts, and it is hard enough as it is for them to get away from their tasks to attend meetings, conferences, and such things, even on store time. The employee can't stand the pressure of having too much to do in too short a time."

A young man risen to an executive position thought: "Representation on the Management doesn't mean very much to most of the employees. We feel just as safe and are sure the business will progress just as well if we do our work as workers and the Management do their work as managers."

One of the Management itself put in at this point: "Do you think any fair proportion of the employees would want voting power in the running of the business, and would use the power when they got it!"

The answer from one of the committee was: "I question whether the majority would have that desire."

I have said that many who have watched with

A MERCHANT'S HORIZON

approval our endeavor to liberalize the conduct of our business would be amazed if I confessed that we are not wholly satisfied with the fruits of it. Here lies the source of that feeling. Our job remains unfinished. We may have won the friendship of our people; we and they may be "one family." The gap may have been narrowed appreciably, but not all our tenders of a business fraternity have availed to bridge it as completely as we should like.

I would despair of the possibility of ever bridging this gap, now or in the far future, but for the opinion of one member of that committee of employees, a woman, who thus spoke up in answer to the other who believed the majority had no desire to exercise a right in the running of the business:

"Keep on, and they will have the interest! Ever since there have been employees, they have been given to think — or anyhow they have always thought — that their particular job was to be an employee and no more. If so many people have little interest in management, it is because they have put it out of mind with the feeling that they had no part in management."

One of the Management members of the com-

INITIATIVE AND COÖPERATION

mittee caught her up, "Can't you go a step further?"

"Just go on with the plans we have for a voice in management," was the answer, "and you'll awaken many more. People have never thought of this thing before. You are showing them otherwise; and you'll find them wide enough awake. Teach them."

Teach them — in those two words, I believe, lies the future in industry. The same two words present the heaviest and sternest duty before every enlightened business man and citizen who hopes to see the common man play a larger part in industry; not because of his massed strength — destruction may as easily result from this — but through his power to produce and serve society efficiently.

The best business organizations show these elements of service and success; so do the few business enterprises as yet conducted by labor groups. The world needs more of both types.

CHAPTER VIII

A SURVEY OF INDUSTRIAL RELATIONS

IF teaching the employee to undertake his proper share in the conduct of industry consisted only of education, the task would be simple. But it is more than training in business principles, more than education in general, that he needs. He needs to be lifted out of a state of mind. And one has only to look into that a little way to discover what a task it is and how concrete it has to be.

We did not, of course, in these committee conferences, dismiss the case of the employee with the simple injunction to ourselves to "teach him." The conferences go on.

The situation we have turned up has been repeated, of course, in the experience of practically every business in the country that has made the slightest move toward liberalizing its methods.

In 1923 a special committee of the National Economic League addressed the following question to a wide vote of the National Council of that body:

A SURVEY OF INDUSTRIAL RELATIONS

Should there be active participation by employees or representatives of employees in all problems of management affecting the workers?

Of the seven hundred members who voted, seventy-eight per cent answered "Yes."

Next the committee set itself to learn how much had been done and how it had succeeded. It found that about one thousand business and industrial concerns in the United States have in operation one or the other form of admitting employees' representatives to councils for discussion. In nearly all of them the discussion stops, it is true, with such questions as those of wages, working conditions, and other matters directly affecting the worker. Into the more abstract problems of business management they do not penetrate. But these plans are so invariably successful in awakening employee interest, and they exist in such numbers, as to constitute a real movement. And the movement is spreading. Managements everywhere have reported themselves as satisfied that something of more than immediate value to industry has been discovered; its promise of extension into a fuller employee partnership in business is its brightest feature. It is admit-

A MERCHANT'S HORIZON

tedly a first step; but for a first step it is a long one.

But in peering into the near future, in looking for the next steps to be taken in this coming extension of the employee's part in business, this committee of inquiry came at once upon the difficulty we ourselves had encountered. It said to its parent body, the Economic League:

It is the opinion of your committee that proprietorship will and shall retain its legal rights, but that it shall recognize more keenly its moral obligations to its employees and the public. The committee finds no indication that employees generally desire arbitrary control, are interested in assuming the responsibilities of ownership, or could exercise such control efficiently without long experience and training in management.

Then the training must be supplied.

Not long ago we asked the Messrs. Bloomfield, for our own personal instruction, to search the entire field of American industry. A volume with the bulk of a dictionary was needed to record the results of that quest for first-hand information. Heads of a large number of progressive concerns in the country consented to go on record fully.

A SURVEY OF INDUSTRIAL RELATIONS

Their statements disclose experiences and views almost identical with our own. One and all agree that any road to the ultimate goal of what is called industrial democracy must be long, and that the distance can be covered only in short experimental steps. One and all are satisfied with such steps as they have already taken, and are earnestly casting about for the next advance to be made. This survey of the entire field of progressive industry was undertaken neither to prove nor to discredit any view or theory, but rather to sound the business men of the Nation for any views they hold as to the "next step" in the movement. As the authors say:

This survey will have no interest for the dogmatic. It has meaning only for those who, without "isms," are looking ahead, who do a little more than is done by the conventional organization, yet do that little with the knowledge that it must be experimental at best, for the simple reason that life can be fitted to no formula and that human nature rules. Economic life and business organizations are, after all, expressions of human nature, and are subject to its laws.

We call especial attention to the statement by a noted economist: "Let the employees win participation by their own efforts rather than let the employer throw it at them in elaborate constitutions of industrial democracy."

A MERCHANT'S HORIZON

This statement is a true expression of the democratic attitude. It assures development to the employee, indicates faith, and presages the gradual steps by which industrial relations may be organized on the right basis.

Whether the result is to be industrial democracy or not cannot be theorized over in advance. The spirit and the method are the important things. If these are democratic, they provide the best beginning of democracy. If they are not, the plan may call itself what it pleases, but it brings no democracy.

As brought to light in this practical research, the plans now in operation throughout the country astonish with their variety even more than with their number. They range from plants, virtually controlled and operated by the employees, to others in which democracy is represented by nothing but a cautiously limited committee system. The same wide variance appears in the views of the leaders embarked on the democratic course, as to what, first of all, *is* democracy in industry, and how much of it can there ever be. They begin with the opinion that the employee can never be vested with more than the right to express himself as to his wages and hours, safety and comfort, and so on. They end on the extreme note sounded by a Mid-Western manufacturer who

A SURVEY OF INDUSTRIAL RELATIONS

says that he attaches to "industrial democracy" the same meaning that Lincoln attached to political democracy, literally "Government of the people in industry, for the people in industry, by the people in industry."

Naturally the conditions surrounding each individual business or industrial plant play their part in shaping the plan in its use, and account for the variety among them all. It seems to me that differences of views and conception are inevitable and a good thing, a stimulant to thought and action. We can learn that only as we experiment.

On one point this variety of view disappears in a single general conviction: that is, that democratic control in industry is up to the worker himself, and no successful measure of it is possible until he is fitted for management. From this point, however, difference of opinion begins again. One position is ably stated by a labor manager for a large corporation who says:

Employees, with but few exceptions, recognize their unpreparedness for the responsibilities of management. Their interests center in the security of their jobs, in a comfortable standard of living, and

A MERCHANT'S HORIZON

in wholesome working conditions. They are not willing to assume in any degree the financial risks of the enterprise.

Employee representation brings a limited number of employees into contact with real business problems. But such training, valuable as it is, will never suffice as the foundation of a change to more coöperative control. The first step for the further contribution of employee control will have to be thoroughgoing business training for the masses of the people and their ability to command credit.

“Industry means daily bread. Changes will have to be made cautiously.”

Says Mr. Henry S. Dennison, president of the Dennison Manufacturing Company:

When a concern grows up, more and more men have to be consulted before wise rules can be adopted, until finally it becomes necessary to systematize this policy of consultation through a committee formation. Two kinds of advantages can always follow such a spreading-out of the duties of management. Management gains advice from those more immediately in touch with the daily processes of the business, and the men thus called into consultation are broadened in outlook, lifted up in self-respect, and inspired with renewed enthusiasm and loyalty.

The art and science of handling men, of constructing a progressive organization out of the infinitely

A SURVEY OF INDUSTRIAL RELATIONS

varied elements of human nature which offer themselves as raw material — this branch of the science of social engineering demands the attention of thinking men, it seems to me, more than any branch of human knowledge ever did before. We have made a good beginning by creating a profession of employment or personnel management, which, through the painstaking work of many individuals, has taken long strides in the technique of hiring, placing, training, transferring, promoting, and discharging of employees. . . .

But Mr. Dennison thus concludes:

The control of industry will move by a steady trend in the direction of the greatest practical intelligence, since competition, domestic and foreign, will see to it that, blunderingly and little by little, but inevitably, intelligence will win. As stockholders become greater in number and more removed from the industry, and as labor becomes better educated and takes a more intelligent part in production, labor will inevitably gain a greater share of control.

But I do not plead for the transfer of control from capital to the manual worker. It is just this extreme proposal which has clouded the issue. It is the managing group, those employees of an industry with the longest and broadest training in its affairs, whose planning ability and imagination are called upon in the exercise of their duties, who must take up the chief burden of control.

Capital must in the course of nature give over its control to the managerial group coöperating with the workmen. Capital will exact its rental charges

A MERCHANT'S HORIZON

of interest and its full payment for risk, and will insist, of course, upon its right to control under conditions similar to the foreclosure, when its contract has been violated. Capital can very wisely now begin on that course by insisting that its boards of directors shall be chiefly men working full time in the industry and best acquainted with its needs.

Surely these are wise words. Such a view may be justified by further experience than ours as to the attitude of the man at the bench or machine, his unreadiness to share risks, or to have a hand in management. Is the thing Mr. Dennison refers to as the managerial imagination always to be the property of a singularly gifted few? Or did the member of our store committee say something memorable and of new importance? — "Give the employee the right to share in management, and you'll find out how interested he is." She meant, further, that we might be surprised at the unexpected capacities found in him.

That the average worker can be interested in some phases of management is evidenced in the Dennison Manufacturing Company.

The Dennison plan, which has been called a good stroke of business statesmanship, is fully known

A SURVEY OF INDUSTRIAL RELATIONS

to those especially interested in economic development. It needs to be more widely understood. The whole story is outlined in a pamphlet published by the company as "Extracts from Agreement of Association and By-Laws of the Dennison Manufacturing Company." With acknowledgments to that concern, let me quote their words before venturing comment of my own:

FOREWORD

The business of the Dennison Manufacturing Company is one of unusual complexity, and its standards of quality and fair-dealing have been set on a very high plane. It requires, therefore, from its managers and its workers long training in detail, concentration of effort, and peculiar natural aptitude.

This unique business cannot find its best chance of permanent and successful development in any of the usual forms of corporate management, in which the stock tends eventually to pass to individuals not connected with the business. This is doubly true through the peculiar risk this business runs, should the voice of the stock speculator come to have any considerable weight in the management of its affairs. In order to protect those who now have a financial interest, it was necessary to work out a new form of organization, in which the interests of individuals should be adjusted more accurately to those policies which must be followed to insure a long and prosperous life to the Dennison Manufacturing Company itself.

A MERCHANT'S HORIZON

In a word, it finally places the responsibility of maintaining a wise management upon the principal workers, and offers them a reward commensurate with their collective and individual efforts, but makes this reward fully contingent upon their performing their whole obligation to the present owners of the capital invested in the business, at the same time providing as a penalty for unwise management the loss of the control by this management. It offers to the present capital owners a property whose permanent value is trebly safeguarded and whose return, while it cannot increase in amount, is practically as certain as the return of a bond.

The agreement contains this paragraph:

The remaining net profits shall be apportioned under provisions of the By-Laws to Principal Employees as extra remuneration for services theretofore rendered by them. Such extra remuneration shall be paid to each Principal Employee by issuing to him for such services, out of authorized Industrial Partnership Stock, shares of Industrial Partnership Stock of the total par value equal to his apportioned extra remuneration.

This is the particular arrangement in the Dennison plan which strikes me as of profound wisdom. Note that this is profit-sharing, but the division is not in cash. The awards are in the form of a special stock. It pays him dividends. Even though he leaves the Dennison employ, at which time his

A SURVEY OF INDUSTRIAL RELATIONS

stock is shifted to another class, it pays him dividends as long as he lives or as the Company lasts.

These "Principal Employees," entitled to such issues of "Partnership Stock," are thus defined:

(1) The Directors, who by virtue of their office, shall be Principal Employees;

(2) Employees (including salaried officers) of this Company or its subsidiaries at the time any such apportionment is voted, whose aggregate service in this Company shall amount at the end of the calendar year for which such apportionment is made to at least five years, and whose position with the Company at the time such apportionment is voted requires managerial ability and control over methods of manufacturing or marketing, such as any Executive, Department Head, principal Foreman, Chief Clerk, Branch Manager, or principal Salesman; or whose work shows the use of a high degree of imagination, tact, or business judgment.

In conformity with the above provisions, and with any rules, not inconsistent therewith, which may be made from time to time at any meeting of the Industrial Partnership Stockholders, the Directors shall forthwith, by a two-thirds vote of all the Directors, establish a list of Principal Employees and their salaries, which by similar votes may be amended from time to time by the addition of new names, or increases of salary, or removal of names, or reductions of salary, as they may deem necessary.

The Directors shall report to the Industrial Partnership Stockholders at each annual meeting the

A MERCHANT'S HORIZON

names and positions of all new Principal Employees and the names and positions of those who have been removed from the list since the previous meeting. . . .

The Company saves itself from its original danger of having its voting stock dispersed among holders without real interest in the business. And the employee himself is saved from frittering away his earnings by sale of his partnership stock, perhaps at sacrifice figures.

If for a period of three years the employees running the business are unable to pay a seven per cent dividend to the owners of the business, the holders of its First Preferred Stock, then the Preferred stockholders have the sole power of control, and keep it for good.

So much for the liabilities which the employees incur. They have large powers and privileges as well.

The Dennison plan presents a fair picture of tendencies in modern business organized for a graduated participation by employees in its management and in the sharing of its profits. It has paid for itself. This plan was originated with no deliberate purpose of improving industrial relations. Instead it reads like what it is, a perfectly

A SURVEY OF INDUSTRIAL RELATIONS

cold, matter-of-fact business proposition. But the better understanding, the improved relations are there, automatically, as a by-product.

One of my associates once said to Mr. Dennison, "I assume that if they wanted to, the three hundred and ninety of your Principal Employees could throw you out as President and run away with the Board of Directors."

"They can if they wish," said Mr. Dennison, "but the initiative is more likely to come from the Board of Directors. For each year they put before the stockholders their nominations for the next year's Board and officers. What we rely upon is that the judgment of the Board of Directors — each head of an executive department — shall be, first, so good, and, secondly, so closely in contact with the aggregate judgment of our three hundred and ninety, that my nomination if made will go through."

One swift glance back at that system. Here is an arrangement which subjects the president of an important corporation to veto by his directors, and even removal by them; it admits nearly four hundred superior employees to a voice in managing the business; it distributes profits to these in the

A MERCHANT'S HORIZON

form of stock, which is ever accumulating in value and voting power; it admits the rank and file to an indirect or limited voice in management, through a shop council. Since 1919 the hand- and bench-workers have been admitted to profits. And the employees have turned to and made the business pay and grow. They have touched a new source of power — team-work, coöperation.

On the evidence of the Dennison success, the case for coöperation looks complete. There are other plans in successful operation, of course. They vary in type, and in many other ways, as they should obviously. I am not trying to give a review here of such plans, though a number of them have interested us greatly.

We have made it a custom in our organization to keep ourselves posted, to learn of everything of interest that was being undertaken, or carried on, to be on the lookout for fresh information, caution, or inspiration. It is our job to keep growing with our own time.

CHAPTER IX

EDUCATION AND THE BUSINESS MAN

IT will never do, of course, to take refuge from a baffling problem in contemplation of a far future when all things shall come right of their own accord. I have no taste for dwelling on the peaks of speculation. As a matter of fact it is my notion that progressive business men are acquiring a new kind of business imagination.

Has the American business man a practical interest in our schools and colleges, for instance? Is he interested, not only as the citizen, but as the business man, in general education? Can he be of practical help in advancing the principles on which our institutions, business among them, are based — namely, an intelligent and educated people?

If the experiences of one business man over a period of twenty years point any moral, the answer to that question is Yes.

There never has been a better time than now for the educator and the business executive to learn from each other lessons of the greatest value to us all. Never has business had greater need of the

A MERCHANT'S HORIZON

educator, and never could education better profit by the business man's touch in its guidance. Naturally the daily affairs of business lay a heavy tax on the business man's time and energy, while the daily interests and duties of the educator keep his attention fixed pretty largely on his own job. Each occupation is full-time work for any man, and each calls for the most and the best that he can give.

But no greater mistake could be made, I think, than to assume that business man and teacher are working in separate airtight compartments. Nothing could be farther from the truth. On the contrary, their points of contact are many, and they are increasing. Why?

Because business has learned by now its dependence on the school for many of its most important advances. And the schools, on their part, have discovered the contribution that business can make to them, because business is life, it is daily bread, and so has its own lessons to teach. Business can give aid to education in the way of moral and financial support and administrative experience. Education itself has a business side. It is a huge business in itself — perhaps the most important of all our business enterprises.

EDUCATION AND THE BUSINESS MAN

Modern business has found that it must lean more and more on the trained mind, on men and women of general education as well as of special business training. More than this, the applied sciences, art, engineering, and precise research have taken their places in modern business, and to supply its need of them business is finding close contact with the educator a factor indispensable to its growth and future development.

Obviously any good business man has the usual civic interest in educational matters. These are important enough in themselves. But from the standpoint of the hard-headed practical man I want to make clear that school and college offer resources of the most immediate and practical kind to shops, stores, factories, mines, and many another form of business enterprise, as we have learned to run them.

First a word as to the average business man himself in relation to education. More than ever before he now is interested in what the schools and colleges are doing, in what they can do for him, and in what he can do for them. Unfortunately this interest too seldom takes the active form that it should; not in the sense of control — nothing is

A MERCHANT'S HORIZON

farther from my mind — but in the sense of coöperation. In many cases it is a hesitating or a passive interest. Not that the interest is lukewarm or perfunctory. That is hardly a fair description. An apparent timidity of the business man toward education arises from the doubt in his mind as to where he “fits in” with education. Such a doubt is more characteristic of the self-made man who has missed the opportunity of a higher education than it is of the college-bred man, and the self-made man is still in the majority.

Gradually these men are losing their hesitation, it is true. In the decade just passed, the introduction and growth of commercial and industrial courses in schools and colleges has opened a new world of coöperation between business men and education. But I have in mind a still wider field of contact between them. And by business men I mean the average man of business like myself, who has found his education chiefly in his work, but also in a growing appreciation of the value of contact with the educator and an understanding of his aims.

I may be taken to task for the use of the word “timidity” as applied to this average business

EDUCATION AND THE BUSINESS MAN

man. The educator will muster up his instances of the sharp fault-finding aimed at the schools from the business man's angle, and indicative of anything but a humble spirit! There has been, indeed, fault-finding, on both sides, and with a fair measure of right and wrong on the part of each. The fact remains, nevertheless, that more business men could give practical expression to their interest in education if they could be brought to see their personal usefulness in the educational field. Most business men, for example, are reluctant to serve on a school board, in doubt as to whether they have any ideas to contribute. "Education is out of my line," they think, and so dismiss the matter from their minds.

I speak from knowledge, from once having something of this feeling myself. To some extent I have it yet, because I well know that educating the young is a job in itself, and that an amateur can do little where technical knowledge is required. Yet for some years past it has been clear to me that the outsider whose training lies in another direction may find a distinct place after all among the educators.

When the late Governor Guild of Massachusetts

A MERCHANT'S HORIZON

asked me to become a member of the State Commission on Industrial Education, my first and instinctive reaction was: "I am not an educator; I know little about schools; I'm just a business man." In about those words I conveyed my thought to the Governor. He promptly countered: "That's precisely why I want you on the Board."

What was I to do on that Board? How could I be of use? The questions answered themselves. Perhaps in my business experience I had learned methods and principles that apply to any organization, educational included, for organization uses after all the universal human agencies. In the business world the knowledge of method — the right method — is gained by costly experience, often enough by disastrous mistakes. Such knowledge must be worth something, wherever applied, to any kind of organization.

On joining the Board I found my educational associates frequently facing the same sort of problems I had long had to face in business. The school curriculum itself is, of course, a problem for the educational specialist. But method and practice in school administration, the system necessary to carry on educational work most effectively, and

EDUCATION AND THE BUSINESS MAN

above all the financial policies behind all educational effort, were aspects in the work of a Board of Education that had a familiar business look to me.

Fifteen years of service on the Massachusetts boards have convinced me that close touch with educational experts and their problems is an experience of value to any business man, and that one of his unlooked-for rewards is an unusual opportunity to help advance the public welfare.

Any school, college, university, or similar institution, must work on a budget, well or poorly made. It must take into account costs in salaries, pensions, the purchase of equipment and supplies, repairs, and the like. It must look forward to suitable accommodations for its students. It must provide buildings and grounds, and take into account many of the ordinary staples of daily business procedure. Surely in such matters the man trained to handle income and expense, however doubtful he may be concerning himself as an educator, may be of service to educators — although I have to say at once that some of the school men I have known have been among the ablest of business administrators.

A MERCHANT'S HORIZON

To reach sound conclusions in handling these practical details in an educational plant — and it is no job for the amateur — there must be frequent counsel and conference. This also is familiar procedure to any business man.

I have seen far-reaching and permanent good resulting from quite informal gatherings of school men and business men, where these meetings were continued long enough to provide a real meeting of minds and a flow of ideas. Often projects of great value to public welfare — projects such as the Boston High School of Commerce, a pioneer of its kind — have taken form at these informal gatherings for conference and common counsel. I venture to say further that not a little of the new inspiration behind some of our finest educational establishments, and a good deal of the general spirit leading to recent advances in education, are traceable to just the quiet meetings here and there of small groups of merchants, manufacturers, and teachers.

On advisory boards of schools and colleges, the business man has done a full share of service. The time is at hand, nevertheless, for a wider use of such advisory bodies, for a more extended employ-

EDUCATION AND THE BUSINESS MAN

ment of the conference method — for a more active demand on the business man, in short, for his counsel and service. And I can say this much for him, that he is ready to learn.

Those who have not had the opportunity to observe the work of business men on school and college boards might be surprised to learn of the more generous attitude of the experienced business man toward salaries and expenditures, as compared with that of the professional educator. The facts happen to be in sharp contrast with the popular conception of the merchant or manufacturer on such boards, as too much given to regard himself as the “watch-dog of the treasury.”

I call to mind a striking example of this — the liberal view of the business men toward educational expenditures — which occurred in recent years. The Smith-Hughes Act, providing for Federal aid to vocational education in the various States, owes its existence in large measure to the business men of the country. Despite some cynical opinions as to the commercial motive behind this support, the truth is that the demand on the part of the employers for vocational training is as social and as considerate for the public well-

A MERCHANT'S HORIZON

being as any idealist could desire. When an employer looks to a more effectively trained and competent output of graduates from our schools and colleges, he may be prompted in part by commercial motives, but such considerations are trivial as compared with the encouragement to higher standards of the kind of preparation for life which vocational education supplies. The real danger to the country and to the welfare of the worker would arise from the business man's encouragement of inefficiency, cheap labor, and the use of men untrained and below par. The only menace to an American standard of living lies in a class of labor incapable of training and fitness to give adequate service for adequate pay.

It is altogether a good omen that the business world, on the whole, demands workers better prepared for work, and the demand does the cause of education and citizenship a high service, implying as it does the business man's active interest in education, general as well as commercial and industrial.

I use the term "general education" because the business man's interest in education reaches out to

EDUCATION AND THE BUSINESS MAN

a desire for the building of citizenship. Every vocational school I know of includes in its curriculum a course in good citizenship. Every public school and every higher institution of learning cherishes the aim of turning out young men and women imbued with love of country and a desire to serve it. No phase of educational purpose and method offers a stronger appeal to the business man than this civic interest. Everywhere chambers of commerce are in active coöperation with the schools in building citizens. Factories and stores all over the land maintain within themselves schools of citizenship for their employees, particularly those employees of recent arrival in the United States.

Never has the educator called in vain on the business man for help in promoting civic enlightenment. Years of honorable service in this direction may be credited to many a man "in trade."

If I may sum up the items in the programme for education in citizenship supported by American business men, I would put it in the form of the seven fundamentals suggested by Dr. Payson Smith, of Massachusetts:

1. Opportunity for all children in America, poor

A MERCHANT'S HORIZON

as well as rich, in country as well as in city, to obtain a good common-school education.

2. Proper school facilities and competent, well-trained teachers for all.
3. The enactment and enforcement of compulsory education laws requiring that all children between seven and fourteen years of age shall attend school for at least eight months of the year, with adequate provision for the education of children above the compulsory school age.
4. Adequate provision for teaching the fundamental principles of our government and the duties and responsibilities of American citizenship in all schools, public and private.
5. Provision for free educational opportunities to adults through evening and extension classes as a part of the public school system, the courses offered to place particular emphasis on the teaching of English, the principles of our government, and the duties and responsibilities of American citizenship.
6. The requirement that the English language shall be the basic language of instruction in the common branches in all schools, public and private, throughout the United States.
7. Recognizing that the citizenship of the Nation as well as the citizenship of each State is largely determined by the public schools, provision should be made in the organization of the executive departments of the Government for national leadership in education, and for the effective promotion of education.

EDUCATION AND THE BUSINESS MAN

And now we come to the controversy, by some people regarded as the "classic" controversy, between the business man and the educator, between the so-called "practical" group and the "cultural" group. The practical man is supposed to hold the view: "The schools and colleges are too much given to theory. Book-work is remote from life." The traditional retort of the educator is: "Man does not live by bread alone. There are bigger things in life than the making of money. Education must be for a rounded life and not merely for making a living."

This age-old tiff, if it is one, is not without its uses. Perhaps the most useful purpose it serves, if any purpose is served where neither side defines its terms, is to force a restatement of the aims of education and the aims of economic organization. Such a stock-taking is all to the good.

A necessary and familiar procedure in business is the regular taking of inventory. Neither educator nor business man can safely remain exempt from a thorough and regular inquiry into his possessions and his liabilities. They need to learn how each stands toward the other in credit and debit.

A MERCHANT'S HORIZON

To my mind there can be no real conflict between these two, between the purposes of culture and the purposes of business, in our democracy. Such a thing is in defiance of the very terms of democracy. Where society is stratified and a caste system is taken to be the summit of human good, the snobbish divorce of culture from money-making may appear logical. The American way of thinking tends emphatically toward a fusion of the interests of culture and training for everyday life. For culture is being made to serve life, even business life, and no culture is possible without material means.

As educators and business men come to understand each other, they join in the common aim of making education the handmaid of life's daily material pursuits, and making business more and more express the ideals of education. Snobbery, whether in the business house or in the school, is a bar to progress. It has no place in our country.

Thanks to the business man himself, it is being brushed away. It is odd that this should fall to the business man, but it is so. As culture spreads and heightens the standard of public taste, manufacturer and merchant feel the need of calling in

EDUCATION AND THE BUSINESS MAN

from the fields of training the skilled person, the artist, the cultivated man or woman to design new and finer products to meet this new public standard. By this fact the business man is drawn into a new interest in the training and education of these more skilled designers, originators, and fabricators of his wares and commodities. Business is thus opening new careers to scientists, artists, and specialists in learning of various sorts. It is actually creating new professions. And with his interests and sympathies thus newly enlisted in education, the business man is more and more willing to enter its council rooms, learn more about its needs, and meet those needs with his purse and experience.

It is idle and old-fashioned to pretend that a rift, a mutual hostility exists any longer between the man engaged in the business of making and selling goods, and the man engaged in the business of training minds. Every force within their ranks and outside them is drawing them together. The thinking of both is being liberalized. Each is seeing that how to live and how to learn are equally important, and that neither process can flourish without the other.

A MERCHANT'S HORIZON

This is the foundation upon which the business man may, if he wishes, build the structure of a business training for his supposedly indifferent rank and file. Some means are there, certainly, ready to hand, if he cares to use them, to begin the shaping of himself and his employees so that both shall ultimately take their places as "citizens of industry."

The real absurdity is to say that this can never be done, because the process of education may be infinitely long, the exertion it involves may be heavy and endless, and the day of industrial citizenship may look discouragingly far away or out of the question. To my mind the day is not so far away. And the means to attain it are practical, if we bestir ourselves to use them. Experience has told me so. Educators, as I have found them, are ready and quick to meet the needs of business and the business man, wherever the business man takes the trouble to indicate them. The millions of pupils in our schools, fired with the American spirit, are only too eager for success in life, and demand of their teachers the means of meeting the requirements for success.

I believe this zest for success is but one of many

EDUCATION AND THE BUSINESS MAN

forces now at work among us, perhaps slowly, yet automatically, to create a body of workers awakened to the larger part they are to play in industry and society. We can assist these forces. There must be a more deliberate alliance between the business man and the educator. Business and industry are forever turning up new requirements and opportunities for success and service. The ancient aloofness between teacher and business executive must disappear.

The merchant or manufacturer who here and there takes a hand in educational work may think that anything he can add toward a true industrial citizenship must be very small. But no sincere effort is without its effect. And our American workers, with their high order of intelligence, are more quickly responsive than many imagine.

At any rate, those who hold that coöperation of the educator and business man in industry must always be halted before the dead wall of indifference are mistaken. In a very short time the liberal spirit in business has gone a long distance. Among its many moves, its one step in setting up understanding, in place of the old hostility and suspicion and strife, between manager and man, is in itself a

A MERCHANT'S HORIZON

big advance. My associates and myself have been in a position to see this advance all around, and that it holds out promise of worthwhile things for industry, for our citizenship, and for our country.

CHAPTER X

TRAINING FOR SERVICE THROUGH COÖPERATION

I HAVE set forth in some detail the means by which we have tried to earn the good-will of those who work with us. As our business grew and we faced the costs in waste, poor work, and slack production which we knew were almost certain to accompany growth, we as a management set ourselves the task of trying to see how we could use this good-will to secure the intelligent coöperation of our people. As the years have gone by, we have been alive to the general demand for reduction in costs of distribution, for a development of a science of management in retailing to which we early committed ourselves. The story of our experiments in joining good-will to the service of the public is found in what we have done in our store educational work.

And the roots of our present programme again are found in the past, in the employee conferences my father was accustomed to hold in his home. When the business came into the hands of my brother and myself, these meetings with our em-

A MERCHANT'S HORIZON

ployees had become a regular institution. It was at these meetings that we discussed — and we did discuss most vigorously — the standards of service that we as a store would adopt. It was here that my brother developed with our people our contribution to sounder merchandising methods.

Besides these business meetings, once a month representative men outside the store talked to us. Among them were such leaders as Thomas W. Higginson, Dr. Edward Everett Hale, Professor F. G. Peabody, President Charles W. Eliot, Mr. Robert Woods, Professor William James, and many others of distinction. Such meetings as these furnished us with the contacts outside the store which kept our point of view broader than it might otherwise have been.

In 1912 we moved into our present quarters and the organization increased suddenly from nine hundred to more than three times this number. More than two thirds of those employed at once came into powers and rights which were in no way a part of the background of their experience and which therefore called forth no new sense of responsibility for their right use. Somehow we must get the spirit among the new group which we prized so highly

TRAINING FOR SERVICE

in our older employees and somehow we must get intelligent service in their work in the store. How was it to be done when the "Town Meeting" of the old days was an impossibility in our larger organization?

Our task was complicated, not only by the increase in the number of human beings we now employed, but because the work could no longer be as simply done as was possible in the very early days. Then we all did everything, from receiving and marking goods to selling them, doing janitor service and dressing windows. Now large groups of employees do only the marking of goods, several hundreds do only office work, and nearly a thousand are meeting our public every day as salespeople. Other groups are doing special kinds of service. Willing and intelligent service under such circumstances is made difficult because barriers tend to grow up between the specialized groups. Effective coöperation can exist only when barriers like these are taken down. To do it is one of the problems of education — which, of course, is another way of saying, one of the problems of management.

Perhaps a more serious aspect of our task grew

A MERCHANT'S HORIZON

out of the fact that because we had become so large, we were now having to trust to many heads of departments the work, not only of interpreting our ideals of relationship with our people, but through them we had to try to get a translation of this into efficient and interested service. This was another problem of education.

Our task was further complicated by the fact of the type of person who sometimes became the head of a department in our larger store. We were not much better off than the Government was during the war when, it may be recalled, the statement was made that the intermediate executive, the boss, the foreman, was the person more than any other responsible for many labor difficulties. Many of our executives were new to the business. They had not grown up with the ideals my father had about the sharing of responsibilities with their associates. They wanted to issue an order and have it obeyed without question. They were unwilling to be crossed by a decision of the arbitration board against them. How to get across to the intermediate executive the methods formerly used by us as managers to secure effective coöperation of our people in the small store and now in the hands of

TRAINING FOR SERVICE

our associates in the large one was another problem of education.

And this problem was fast becoming complicated in the world of business by a growth in what has come to be recognized as a science and art of management. Higher standards of operation in business were seen to involve the business executives in a knowledge of the science of handling men. In 1915 there appeared a book by Professor Robert F. Hoxie entitled "Scientific Management and Labor." It is the report of an investigation of scientific management in its relation to labor, undertaken, with the assistance of the late Mr. Robert Valentine and Mr. John P. Frey, for the United States Commission on Industrial Relations. In this report were revealed the objections which labor has to the methods employed by certain efficiency systems. It was here pointed out that the workers feel that scientific management is a device employed for the purpose of increasing speeded production and profits; that it tends to eliminate consideration for the character, rights, and welfare of the employees; that it tends to deprive the worker of thought, initiative, sense of achievement, and joy in work, and that it dwarfs

A MERCHANT'S HORIZON

and represses him intellectually; that it tends to destroy his individuality and inventive genius; that it is undemocratic, a reversion to industrial autocracy; that it allows the workmen no voice in the setting of the task, the determination of the wage rate, or the general conditions of employment; that it has refused to deal with the workers except as individual units — all very severe indictments some of them more true a few years back than they are to-day.

On the heels of this report we have all been made conscious of the trend of thought in industrial, personnel questions. Such titles as "The Creative Impulse in Industry," "When the Workmen Help You Manage," "Industrial Good-Will," "Morale," and many more of like kind have greeted us continually in the last few years. All these have been the attempts to find out what the worker wants and how to get an effective working together of those engaged in industry.

I have indicated in the foregoing three educational problems which faced us in the store: (1) how to break down the barriers between specialized departments in a large organization in order to get effective coöperation; (2) how to harness the good-

TRAINING FOR SERVICE

will of employees and executives for efficient and interested service; (3) how to get heads of departments and other executives, new to our methods, to accomplish all this for us. In our efforts to work out these problems we have had our share of failures and successes.

All three of the foregoing problems were problems of relationships — of the executive with his subordinate, of one department with another. The study of modern methods in business operation furnished us with interesting material with which to begin to solve these problems. "Job analysis," "job standardization," are now terms in familiar use in retailing. They have become so only in the past few years. They are indications of the effort of modern business fairly to fix responsibility in work, to avoid waste, and to get work done in the best known way. And all this we have held should be based on the employee's clear understanding, willingness, and coöperating spirit. It is this fundamental attitude coupled with such material as that supplied in job analyses which is making it possible for our intermediate executives to learn the kind of leadership that our type of organization requires.

The following accounts of the work which is

A MERCHANT'S HORIZON

going on in representative parts of our business will illustrate our methods of training for service.

Our chauffeurs and mechanics have been organized with their own elected officers for some time. Early in the spring of 1921 this group raised the question as to why they worked longer hours than other Filene employees. Their executive heads responded by agreeing to investigate the hours and wages of men employed in similar jobs in other stores of the city. This study showed that the Filene drivers were as well off as other drivers in the city and that because of the nature of the work it was difficult to establish regular hours.

The men then agreed to let the matter rest for a while to see if the plan which had been adopted of shipping some packages by Parcel Post, improved the situation.

In the following summer an analysis was made of the hours put in by the chauffeurs. This study showed that the men were averaging from ten to eleven hours a day.

The men then proposed to the executives that the chauffeurs and mechanics group be given an eight-hour day. The chairman and secretary of

TRAINING FOR SERVICE

the group met several times with the head of the shipping and delivery department, the assistant head and the superintendent of operation and discussed the whole problem. As a result all came to the agreement that because of the irregular stream of work it would be impossible to set a definite number of hours of employment per day, but that it would be possible to determine upon a standard number of working hours per week. Finally, the following agreement was reached:

1. That the executives give the chauffeurs a fifty-four-hour week with overtime for any time beyond that amount.
2. That the chairman and secretary of the group, acting for the group, assume the responsibility of each man giving an honest week's work. *However, in assuming this responsibility, the group asked for the privilege of re-routing the districts so that each driver should have the same amount of work and of responsibility.* The executives agreed to this and the men got together and relocated the routes. Then the executives and the officers of the chauffeurs and mechanics group and their executives met with the Store Manager and obtained his approval of the plan — a statement of which was sent by the Store Manager to the Store Director for final confirmation.

The executive in charge of shipping was asked to

A MERCHANT'S HORIZON

say whether he thought the work of the chauffeurs and mechanics group in regard to re-routing had been of value. He replied as follows:

I can go on record as saying that from my standpoint the results of the suggestion have warranted the action which we took two months ago which was a direct result of this suggestion. While I feel that we must continue to study and revise the routes as suggested by the drivers, I can give the following definite facts concerning the effects of the new routing plan:

1. The new plan has raised the morale of the entire delivery department.
2. It has created interest and sense of responsibility never before known. Now each man feels that he is responsible for the department.
3. As a result of this increased sense of responsibility —
 - (1) The service has been improved.
 - (2) There has been a general improvement in work so that the cost of delivery per bundle has decreased in spite of the fact that there has been an increase of overtime pay because of the standard week of fifty-four hours.

The group and the executives felt that the real crisis in the plan would come during the dull season of January, February, and March when, although each driver would deliver fewer packages, it would take him longer than usual because of the bad con-

TRAINING FOR SERVICE

ditions of the roads. Of their own accord the men decided not to accept overtime pay during these months unless sent out on a special job after their own work was over. As the men put it, they thought it only fair that they should go halfway with the Company.

[Some time later the chauffeurs and mechanics group sent the following bulletin, over the signature of their chairman and secretary, to the Basement Salesforce Committee:

We have been receiving a number of complaints about goods bought and the salesperson has told the customer she can examine the goods while we wait. The store does not allow examination of goods, and if we have a hundred or more bundles to deliver in one day and a few of the customers want to look at the goods we would not be finished with our work until very late. A few of the salespeople are also promising customers the time of day they will receive their goods. We do not know ourselves what time we can get around to that customer because we do our route differently every day. Kindly see that no more promises are made and we will try our best to help you out.

The officers of the Basement Salesforce Committee sent the following reply:

'As we had an election of officers at our meeting

A MERCHANT'S HORIZON

this morning, we did not have time to discuss your letter as fully as we want to. Therefore, we will take it up again and would be glad to have some one from your organization attend that meeting. We will do our best to get the basement salespeople to stop making promises that cannot be fulfilled.

This resulted in real coöperation as evidenced by a bulletin which was sent somewhat later by the chauffeurs to the salespeople thanking them for what they were doing and telling them of the marked improvement.

A piece-rate bonus was worked out and put into effect in our marking and receiving room by a new executive who was used to autocratic handling of people. There was misunderstanding from the beginning. Accurate time studies were impossible because the people were afraid they might lose their jobs. They worked at a speed impossible to maintain much longer than the time study period. As a result the bases upon which bonus rates were determined were not fair and the employees had little confidence in the plan.

A crisis came when a weekly bonus was made to take the place of the yearly bonus, a step which the workers said they had been led to believe would not be taken. They appealed to one of our partners

TRAINING FOR SERVICE

who settled the matter in their favor. He then challenged them for their lack of faith and they responded by pointing out what they thought was unfair in the plan of payment. All this resulted in a new study and a change of rate which now gives fair satisfaction.

When a similar compensation system was installed successfully in the store laundry, it was done by the same executive in the following way: Meetings of the head of the laundry and his people were held before any work was done. The system was carefully explained. Then the group voted to have a study made and to assist the person doing it. Not only this, but regular weekly meetings were held to report progress, to explain the basis of the plan of payment and the working of it, and to get the views of the people as the system was gradually set up among the crafts making up the laundry group. The result has been understanding, coöperation, and a fair bonus system.

A part of the programme for group meetings is always to reveal those elements of the store whose work vitally affects the work of all. The programme of meetings of the elevator operators will illustrate this point. It was as follows:

A MERCHANT'S HORIZON

1. The relations of the elevator force to the store as a whole.
2. Helping the Store Superintendent.
3. When to direct customers to the Charge Office.
4. How the elevator force can help the Advertising Office.
5. How the elevator force can help the Personnel Service.
6. The relation of the Clothing Information Bureau to the elevator force.
7. The relation of the Mail Order Department to the elevator force.
8. What the elevator force can do for the Restaurant.

An account of a meeting of the Elevator Operators with the representative of the Credit Department will indicate the character of these meetings and their value. He pointed out the typical situations which the Credit Office had to deal with, and how customers who visited this office were influenced by the character of the service which they received. Any lack of service on the part of the elevator operator would make the work of the Credit Office very difficult.

The men came away from the meeting with a definite feeling that they were in a way assistants to the Credit Manager.

The foregoing are but examples of efforts with

TRAINING FOR SERVICE

groups and their immediate executives — of people who are doing the detailed work of our business. The story would not be complete without showing how methods found useful in getting intelligent coöperation are also proving effective with the head of a division and his subordinate executives. Staff meetings of such groups are not new with us. Floor superintendents, buyers, division managers have met in conferences for many years. Indeed, such conferences are usual in most industries. What we have always stressed, however, is the give-and-take of discussion with final agreement as to common action.

It always troubles me greatly when executives in business make the claim that workers do not wish to do any thinking. To my mind mental inertia does exist in industry, but it is by no means limited to the workers. In our business we have taken the position that not only did we have the responsibility to overcome the mental inertia of workers and executives, but that if we did, our three thousand people would be working intelligently on our common business problems instead of only a few and thus add immeasurably to the interest of the individuals making up the organiza-

A MERCHANT'S HORIZON

tion. Proof has already been offered to show how our people's intelligence is sought and gained in a better doing of their work. That the organization is intellectually alive may be seen by the educational activities which a visitor to the store might find during the day or in an evening visit.

He might find a buyer with selected merchandise before him giving instruction in it to a group of salespeople new to his department or a floor superintendent in a meeting with his salespeople discussing points of service to be kept in mind. It might be that he would find the salespeople in the millinery department all seated about an instructor who is making with them a careful analysis of the season's new colors. As he made his way past the offices, he might find the head of the division determining with his subordinate executives the standard form of monthly report. If he found his way to the classroom, he might come upon a group of representative salespeople carrying on a meeting with one of their number in the chair or a class of salespeople or executives in Color, Line, or Design, or Textiles, or the History of Costume. If he stayed in the evening, he might find that a selling department was meeting at supper with a manu-

TRAINING FOR SERVICE

facturer of their special line for an account of the article's manufacture, or he might find that a large group of volunteers was meeting in a course in Publicity or Merchandise conducted by store executives skilled in their particular lines.

If the visitor felt that all of the foregoing was merely business education and that the other side of the employees' development was being neglected, a visit to the employees' quarters would show the other side of the picture. Here a boy or girl is able to secure almost any form of education, entertainment, or legislative experience to make his or her life more complete.

The educational classes from time to time would be found to be about as follows: Elementary Business English, Business English, Course in Arts and Crafts, Embroidery, Garment Alteration, Plain Sewing, Courses in Retail Business, Forum, Art Courses — in connection with the local museum, Musical Education, on all types of instruments.

The standing committees of the employees' association which are open to all employees are as follows: The F.C.A. Council (the governing body of the F.C.A.); Board of Arbitration; Credit Union (the bank); Committee on Nominations; Club

A MERCHANT'S HORIZON

House Committee; Suggestion Committee; Publicity Committee; Store Discount Committee; Committee on Absenteeism; Tardiness Committee; Finance Committee; Wastage Committee; Committee on Committees; Athletic Committee; Auditing Committee; Constitution Committee; Educational Committee; Library Committee.

In the way of entertainment, the employees have the Men's Club, the Women's Club, the Girls' Club, and general meetings open to all whenever worth-while speakers can be obtained.

If a person is musically inclined, there are the band, the orchestra, the fife and drum corps, the choral society, or the cast of the annual musical show, which are open to all.

If a person is interested in athletics, he may join the baseball team, women's or men's bowling team, billiard team, or take part in any of the numerous golf matches that are arranged during the season.

I think the foregoing account will show some of the steps we are taking to join good-will with interest, enthusiasm, and intelligent coöperation in the work of the store. We have been at work long enough to know that we must deal with a very live

TRAINING FOR SERVICE

body of workers and executives and not an indifferent one. This fact we find makes great demands on skill in leadership for the desired results. But our job as managers is made very much more stimulating and interesting thereby; and we are convinced that we are adding in this way to the worthwhileness of the working life of our associates and ourselves.

CHAPTER XI

THE ADVANCE OF LABOR

I SAID in the beginning that it was my conviction that the humanizing of all the devices of industry, mechanical, financial, and managerial, is going forward on a scale so large as to constitute the outstanding industrial advance of our times. The full extent of these activities, the mass of them, cannot be detailed within the pages of a single small book. But I think some indication of their force and spread has been given, sufficient to lend plausibility to the statement that this great stirring about us is a real movement which is slowly making over the industrial world. A process, a working-out of long-pent forces — I think permanently for the better — is going on under our eyes, and it is time we made ourselves aware of it.

A single instance will show what I mean. A certain labor advocate was roundly criticized in some quarters for urging that the years of toil that a mechanic puts into a manufactory shall be recognized as an "investment" entitled to the same standing and the same financial return as the cash

THE ADVANCE OF LABOR

investment of a man who had nothing but money to put into the business. Yet some of the apparently adventurous ideas of the theorist have been in actual going operation all about us without notice. In the following words the bench-workers on the Shop Council of a well-known Eastern manufacturing concern explained their distribution of a yearly bonus, and so answered the critics of the advocate who counseled recognition of a laborer's time as a cash investment:

We have thus provided that the amount received shall vary according to length of service, because we feel that while differences in ability will be covered by the weekly wage, the older employees have an intangible extra value that cannot be paid for in wages, but yet should be recognized.

What is this but recognition of the worker's "investment" of his years of service? That is doing; not merely advocating. And the important point is, not that the management in this plant should concur with this distribution of bonus by the workers themselves, but that the workers should have thought of such an explanation. I cite the fact in proof of my conviction that this new liberalizing spirit in industry is a going and perma-

A MERCHANT'S HORIZON

nent force, because it is not the possession of a few leaders; the workers have caught it; the entire structure of industry is coming to be permeated with it.

To the remaining adherents of "strictly business principles" in business I have no doubt this new order looks radical enough. Many of those who are themselves responsible for the healthy advance now under way seem content with having progressed to the point where they now stand. In their view the process has gone on as far as it can and will. I think it is going on.

Business is properly a main concern of life. But there is no need to have life dulled and mechanized. Rather we may hope that business, as it becomes more and more a living thing, will be one great repository for the upbuilding interests of life. One can find hard and tangible proof of such a development wherever he stops to look and think. I am not alarmed at the danger, so constantly pointed out, that Big Business is taking over government. If Big Business does interest itself in government, it does not always do so with selfish or sinister motives. That is too naïve a notion.

THE ADVANCE OF LABOR

People are coming to realize that the sum of all their personal affairs, which we call the Nation's business, is rising to a new importance. As society grows more orderly, as men see that their interests are fostered and their wealth is enlarged by coöperation more than by fighting, many of the present burdens of government are sure to dwindle. Certainly the police function will dwindle, from atrophy.

Business nowadays to be truly successful must keep in mind two preëminent guiding principles — an earnest concern for the people who help make its products, and for the public that buys them. Society will not allow business to prosper except as it faithfully lives up to some such principles and responsibilities.

But business implies self-criticism, and business has many a foible to discard. Some in the business world may still worship mere wealth, or driving power. The man who wades in and "does things" still enjoys too much respect from us all.

For a portrait of this type, and for a lucid description of his methods of operation, one has only to consult Mr. Justice Brandeis's study of modern

A MERCHANT'S HORIZON

finance in "Other People's Money," written several years ago.

How big should Big Business be? — the question is often asked. And how much may one man control? The thought behind these questions is, of course, How big is it safe, or even profitable, for society to let business and the business man become?

In the ordinary notion of economic law there is apparently nothing to set a limit to the bulk that industry in any field may attain. Business in particular fields is bound to grow by conforming to the rising demand that waste be eliminated and the cost of production lowered. But there are other forces in society that appear to be operating in the direction of setting definite curbs on industrial megalomania and unchecked individual control.

Your man of organizing genius, your great financier, is apt to overreach. Moved by love of domination, or by the necessity and usefulness of his domination, as he sees it, he undertakes too much in so far as such domination is unshared. His subordinates grow to be an army. At any number of points, and perhaps all along the line,

THE ADVANCE OF LABOR

his administration is bound to become weak or less useful because autocratic. Humanity's needs and desires seek some check on this power.

Instances of this inevitable breakdown in great spheres of individual control in industry will occur to many of us, having happened too recently to be forgotten. They happened in obedience to the inexorable law, that in the long run society will have nothing to do with the non-coöperating type of organization.

I believe society has definitely put the seal of its approval on the principle of industrial combinations, because of the savings they effect in lowered costs of production. This result which they produce is now universally understood. But we understand equally well what a power of cohesion, what a perfection of organization, is needed to hold them together. We no longer suspect the motives or the methods of the business geniuses who shape these vast organizations. But we have come to look with decided suspicion upon industrial combines that have grown too large to keep humanly solvent by a broadening of their teamwork.

The exceptional man in the ranks of business,

A MERCHANT'S HORIZON

whose gifts are clearly profitable to himself, but are of less certain value to the rest of us, will, by the march of events, be put in his proper place. The exceptional man in the ranks of labor, I am equally confident, will be shown his proper job, and be kept to it by the same forces tending to direct the gifted man in finance.

The president of one of our most successful colleges said to me not long ago: "Most men have no fundamental desire to get at the truth of things. If they had, no Republican would neglect to read Democratic newspapers, in order to get the opposite point of view. Democrats would do likewise. Apply this to labor problems. Our present industrial offishness is not of to-day's making, but has grown out of past practices. It needs breaking up. If the leaders on each side should make an earnest effort to understand the other side, it would go a long way toward a common understanding and action in the interest of the public."

There are times when I can see one good element in a strike. It compels this getting together and this understanding of the other fellow's point of view. Eventually, I feel sure, the two sides will get together in everyday common council, and not

THE ADVANCE OF LABOR

wait for an armistice on the field of battle. The approach to that regular meeting for common council is, of course, through understanding, not through the emotions.

American labor is on the way to self-expression.

The labor press of the country as yet presents no programme of national scope, embracing the Nation-wide needs and desires of American labor. The columns of the labor journals are devoted to grievances, or they exult over "victories" here and there.

Yet here again I believe forces are at work shaping our labor organizations into constructive agencies. One of these forces is the rise of shop councils and schemes for employee representation in management.

These are now numerous enough to be regarded as a distinct labor and management movement. The effect of these schemes is to form organizations of the employees in each factory or business where a representation scheme exists.

Many unions have long looked on the shop council with suspicion and antagonism because of the tendency, they claim, to break up union solidarity. But it is this very movement which I

A MERCHANT'S HORIZON

believe is going to help the great labor organizations into a constructive position. These shop councils of various types have been well thought out. Thus far unionism has been largely and necessarily a defensive movement, a retaliation to industrial autocracy. With the fading of that autocracy, and with the opening channels for coöperation, unionism will have to develop a leadership and a programme as good, at least, to meet this.

A wise observer of industrial affairs told me of an incident which shows that some labor officials see this clearly. In a certain shoe plant once vexed by strikes, employee representation in management was set up. Two former strike leaders, both prominent in their unions, by force of leadership, soon had commanding positions in this shop council. They so emphatically "went in" for the representation idea that in time a delegation from union headquarters was sent out to the plant to bring the two apostates back into the union fold.

Their answer to the delegation was: "Go back home. We find we can attain what the men want through the shop council."

They had discovered the benefits of coöperation,

THE ADVANCE OF LABOR

of working in understanding with their management. Will not unions have to conceive a like purpose, in line with the constructive spirit in this shop council movement, which seems to me spreading as it is because of this very spirit of mutuality, and not through hostility to labor organization?

Events are working in the creation of a spirit and a leadership in unionism which it will profit us all to watch and to assist as we can. Certainly the socially minded business men I know will welcome any genuine advance in labor's capacity, industrial and civic.

Taking labor organization, and its aims for what they are, centered almost exclusively on wages and steady employment, what is the outlook immediately ahead?

Labor is under criticism almost solely because of its apparently insatiable hunger for ever higher wages, regardless of all else.

Let us first look about us, and then look back a little. Any man's wages must be finally measured against his volume and quality of production. Wages can be raised without extra cost to the con-

A MERCHANT'S HORIZON

sumer, if with every raise goes some improvement in method or machinery, some elimination of waste, some increased efficiency in output. Almost automatically the worker is adjusting his wage demands to the improvements introduced into industry by invention, by all the new machinery that cheapens production, increases its volume, and lightens the burden of labor. In a sense the worker demands more money because he does not work merely for money. He wants not money chiefly, but dignity and the means to express himself. Trade-unionism itself is largely an assertion of this dignity that labor craves. But wages are as yet the average worker's chief or only means of stating that desire.

It is an abiding desire, and has always been that. Not long after the World War, when public clamor was high for a return to pre-war wages, an English student of economics, William Hardy, set himself to a study that resulted in a significant discovery. His purpose was to look back over history and find if wages had been rocketed up by every war, and whether the wage-rate had ever settled back to the pre-war rate. The findings are published by Mr. Hardy in a letter to the "Times" (London) dated August 31, 1920.

THE ADVANCE OF LABOR

He was fortunate enough to find intact the records covering the building costs of such structures as Westminster Cathedral, Hampton Court, and other public buildings. These covered only the wages paid in the building trades, but these wages were undoubtedly typical of all the current wage scales, and, despite the omission of figures that might throw some light on the purchasing power of wages in those days, they told a remarkable story. Those who are troubled by the prospect of higher wages now will do well to ponder it.

At a period seven hundred and fifty years before the outbreak of the World War, this investigator found, a British carpenter was paid five cents a day. Masons, bricklayers, and similar artisans were paid a like rate. In 1913 the carpenter in England received the equivalent of five dollars a day. The step from five cents to five dollars had taken him seven hundred and fifty years. But note this — he made the distance.

His average gain for every fifty-year period in those seven centuries and a half was twenty per cent. At the end of some such periods his gain was as high as forty per cent. Nearly every war or

A MERCHANT'S HORIZON

crisis — such as the American War, 1775, or the wars with Napoleon — was contemporaneous with a period of general increase, caused by labor being scarce during each war and after it. After some of the wars the wage scale sank, it is true; but note well this also — the wage scale never sank to the pre-war level. Despite the disturbance of wars the wage scale kept to its regular rise of twenty, thirty, or forty per cent, every fifty years.

This is to say that every so often the worker never failed to mount to a new rung in the wage ladder, and he never stepped down again. There are periods, to be sure, of temporary fluctuation — purchasing power varies at times. But if this climb has been almost unbroken for seven hundred and fifty years before yesterday, it is pretty apt to go on unbroken for seven hundred and fifty years after to-morrow. A law that has held true for so long must have become a fixture in the human scheme. Society must reconcile itself to that law, and adapt its course to it.

And this gives hope. For seven hundred and fifty years in the past society managed to adapt itself to this wage rise — and improved itself in the

THE ADVANCE OF LABOR

process. For of course labor never achieved this steady ascent in the scale of wages and living by mere contentiousness, by ceaseless demands, by everlasting strikes and strife. These alone would never account for such a result. The worker rose as he did in the wage scale because he achieved a parallel in the scale of intelligence, and because the general intelligence of society rose with him. It may have paid him grudgingly, but it paid him, and in the end it saw he was worth it.

Looking into the life of those seven hundred and fifty years, the question arises whether society shared freely enough with the worker out of its larger wealth and intelligence, or did so share only under compulsion. Perhaps the two processes went on together. They are still going on.

It is of value to the thought of to-day that these building records of so long ago have been brought to light. That value is in no way diminished by the fact that the records relate to the building trades alone. The value lies in the great stretch of time they cover. The sheer length of the record lends strength to the evidence it offers. It also removes from the field of prophecy our present speculations as to the future. By knowing what has pre-

A MERCHANT'S HORIZON

vailed for so long in the past, we can better foresee the conditions that are ahead.

Every day new machinery is being devised, tending to replace common labor so called. It is purposely planned for simplicity of operation, so that skill of high order is not always necessary in its use. But at the moment the common laborer learns to handle this machinery, he ceases to be common and has acquired at least some measure of skill — enough to fit him for his next ascent.

And yet once there was outcry against this sweeping introduction of machinery — the steam-shovel, the pneumatic riveter, appliances for handling coal and ore in great quantities and at great speed, and the like. The argument against it was, "What is to become of the common laborer?" It was, "Think of the thousands of poor seamstresses who will starve for a living!" when the sewing-machine was invented. Yet now many more thousands of seamstresses earn vastly more money than their sisters of the needle a single generation ago.

The sewing-machine was the right thing. The linotype which threatened to displace thousands of hand compositors now gives more profitable employment to many more skilled machine operators.

THE ADVANCE OF LABOR

It cheapened printing. It has added to humanity's wealth, in money and knowledge. The linotype was *right*. Whatever releases the laborer from the heaviest drudgery, increases his capacity to produce, and releases his mind for worthy enjoyment of life, is *right*.

Of course, every release of the worker to more use of his mind, every addition to his skill, means steadily better wages. He should have them. And he has much in him to give. More than the mere skill of his hands. Few of us realize how widely the creative instinct, and even a feeling for artistry, are diffused among those who work with their hands. Watch the mere rivet-handlers on a new steel building, and note the accuracy, the dexterity, the swing, with which one man tosses a red-hot rivet out of one iron bucket to the man on the floor above who catches it in another. Even such tasks show pride in a superior skill. The bricklayer, if you notice, feels the same pride in the deft turn of his trowel; the motorman in his ability to stop his car to the inch at the same spot at every station. This delight in doing a thing well runs pretty evenly through the whole mass of labor, of humanity.

A MERCHANT'S HORIZON

Society can well afford to pay a steadily rising wage-bill so long as it is steadily enriched by new intelligence and by a higher capacity for the producing of wealth and manhood.

And out of a mass of labor more and more relieved of the rougher drudgeries, more and more released to mental exercise and self-expression, I see emerging labor organizations with a keener understanding of the problems of business management, and greater readiness and fitness to undertake an active share in them. I have said before that business, to my mind, is to absorb within itself more and more of the larger interests of life. How rapidly this is going on we too seldom pause to consider. Business has discovered only recently the commercial value of the beautiful. The newer department stores of the country are decorated with splendor. It pays. The newer shops are models of architecture, without and within. Neither is industry lagging behind, with buildings that are at least neat, to replace the old grimy eyesores of yesterday, and with surroundings that do not shame our common Americanism.

It may be looking very far ahead but from these

THE ADVANCE OF LABOR

and other indications of advancement it seems to me reasonable to count on the day when every American man and woman shall have had at least a high-school education.

On the worker's record of progress during seven hundred and fifty years in the past, this progress of the future is going to cost society money. Yet the worker has demonstrated that he is worthy of his hire. And notwithstanding any passing disturbance to business, or the money cost to us all, I have no fear that the worker of to-morrow, with the new wealth he will have and hand back to us all, will not continue to be worth whatever he costs.

CHAPTER XII

CONSTRUCTIVE INDUSTRIAL PEACE

THE words I have just used may be thought far-fetched, to say the least. They are written at a moment when banks will lend to no man who cannot show a sound record of success; when collateral itself is valued conservatively; when bricklayers are asking \$25 a day and plasterers \$30, and neither man is worth it on conditions of the passing hour. Of the passing hour these conditions may be true enough; they leave me convinced of the permanent truth of what I have said.

I am not persuaded that management has its house fully in order, for all its present appearance of having approximated that business-like state. If certain trades can at this minute take advantage of conditions and stage a hold-up in construction, I am not at all sure that the blame lies wholly with labor. After all the laboring man is actuated by the desire for gain that moves us all and which constitutes one of the great motive forces behind all progress. If he is abusing his opportunity for indulging that spirit for gain, is he any more at

CONSTRUCTIVE INDUSTRIAL PEACE

fault than the market manipulator who makes a handsome living out of playing the same game on a greater scale?

Labor, I am convinced, would not refuse in the main to compose any matter in dispute with management; any matter whatever — even its opportunity for unusual gain at an especially favorable turn of conditions, if labor were

(1) Taken into confidence with management from the start of things and permitted a clear understanding of management problems.

And

(2) If labor were given a real part in carrying out, jointly and in full coöperation with management, any plan suggested for the benefit of both.

It all comes back to this: We now try more or less to deal fairly with the worker; but in view of the possibilities before us we have taken but few steps to include him in a real working coöperation with ourselves. We still leave him at a distance, and then gird at him because he is shrewd enough to take advantage of conditions where we have left him, and charge us exorbitant rates for his services.

'A MERCHANT'S HORIZON

It may be that the two groups, of management and of men, must practice coöperation each among themselves before the two great bodies can try it with each other. Any Nation-wide labor disturbance is evidence that organized labor has learned the value of a certain kind of coöperation. The first combine of industries gives token that management has been first to learn the same lesson, of a kind. The final combine, the final coöperation, that between the two great groups having in view the public interest primarily, remains to be effected. Meanwhile neither side is without its failures. The leadership of industry itself is not without its share of them.

Against the cost of apparently unreasonably high wages, business offers the spectacle of an unreasonably high number of business failures and bankruptcies. At the end of every twenty years, according to some research experts, ninety per cent of all the businesses begun within that period end in failure. Most of these are small ventures started with little capital and with no business training. Business, as I have already quoted, has become one of the professions. This is true of business in the main. But about the sound core of American

CONSTRUCTIVE INDUSTRIAL PEACE

business is this ever-fraying fringe of failures — too many of them.

These failures are like so many fires, a consuming of material, and in the aggregate a heavy loss to the community. The distributing or manufacturing houses that carry these small shops may have protected themselves against loss by their failures. But to do so they have had to raise their prices to the whole community by a margin sufficient to cover these many losses. The business man, therefore, who fails is not only a loss to himself, but a charge on the entire community.

It was easily recognized that such waste must be eliminated. In the grocery trade, to point out one instance, the chain-store system is going forward. I venture to say that the day will come when competition will exist less among individuals, or even giant industries, than among coöperative groups. The chain-store grocery system is an illustration of what I mean. Lately, a prominent business man in a speech before a Chamber of Commerce, urged upon small retailers in every line of trade that they pool their interests, their common stock of capital and brains, and reap the benefit of group buying and selling. It is either this, or cut-throat competi-

A MERCHANT'S HORIZON

tion in communities sometimes over-equipped with stores the resources of which are too scanty.

If executive ability is to remove the costly waste to us all, represented in these small failures many times multiplied, it must set going a determined effort to foster this grouping, this coöperation, this chaining together of minor retail selling *dépôts*. To be able to write off this needless charge on the buying public would be going far toward scientific elimination of waste and offset the far more reasonable charge of higher wages. It is one of the means that society must discover, as I say, to meet the sure rise in the cost of labor. The labor charge on the community is legitimate and inevitable; the charge for business failure is less excusable in this day of scientific business procedure. While it is suffered to continue, no criticism can be fairly leveled at apparently exorbitant wage demands on the part of labor, which must bear its own part in carrying this fearful cost of failure, and in its wage demands seek to recoup itself.

Removable causes keep the two great bodies of employers and employees in a state of mutual hostility, and stand in the way of their ultimate

CONSTRUCTIVE INDUSTRIAL PEACE

coöperation. We have too long taken the fact of their distance from each other as a natural phenomenon, with its causation as obscure as the forces that determine the weather. The causes are near at hand and clearly visible. Is it not time we took practical steps toward their removal?

For awakening the employee to his rights and duties in management, education has been recommended. We business men on our own part need as much awakening. We need to realize, for one thing, that wage demands originate in something a little better than pure cussedness. They may take the form of profiteering, but it must be remembered that it is not the laboring man who set the first example of that. As I said above, we all are moved by a desire for gain. It is one of the mainsprings of human conduct. The point is that we excuse it or honor it in ourselves, and condemn it only when it occurs in the laboring man. But he has the same right that we have to do what he considers in his own business interests.

A sense of this, carried into the years of councils, conferences, and other contacts that must occur between employers and employees before they can come together in ultimate coöperation, would go

A MERCHANT'S HORIZON

far to promote that coöperation by removal of one of the causes of hostility that stand in the way of it. At no point does the worker more resemble his boss than in his desire for gain. It is subject to abuse on the part of the worker; it is subject to discipline and training, based on clear appreciation of the facts on both sides.

How can business men, even of the enlightened sort, throw up their hands and call the liberalization of industry finished where it stands, when these opportunities for helpfulness lie before them? Not one of them but wishes his employees to be so many extensions of himself, yet he falters before the task of giving them a chance to be so. He wonders where to begin, and if he looks about he will find a hundred points where it is possible to start some helpful stream of education filtering down through the ranks of his people as well as his fellow executives. The enlightenment necessary to any further progress in bringing manager and man in full working accord must start with the manager. He is a miser of knowledge if he keeps to himself the practical insight that privilege and experience have given him.

Why be discouraged by false starts or slow ad-

CONSTRUCTIVE INDUSTRIAL PEACE

vances? We need to be constantly reminded even in the sphere of government that democracy is still an experiment of infant growth. We complain of the apathy of the worker toward participation in industrial management, forgetful of our own negligence in political activities. Moved by the inveterate desire for gain we go on erring in zeal to make our businesses bigger and bigger, forgetful that it is far more important even to ourselves to make our people bigger.

Why be discouraged because the coöperative movement in some places has broken down? The Coöperatives in England, the great coöperative business of the time, have experienced what was thought to be impossible — a strike of its workers. Yet this was not without its value, for the workers who participated in the management of the concern probably thus got closer to the problems of management than would otherwise have been the case.

Patience and unremitting effort are exacted of us all.

What could not we employers of the country do, for ourselves and for the advancement of the

A MERCHANT'S HORIZON

Nation, if we united in a determined effort, for example, to find the causes, but still more the cure, for intermittent employment?

The hitch, the human failing seems to be, as Mr. Hayes Robbins points out, "in the fact that most employers have themselves worked up from the ranks of the workers. It has taken perhaps forty years in the life of such an employer, and much of his stamina, to reach his position of ownership. In the struggle he has probably become wearied, dulled, or stale, or it may be embittered by his trials. His victories have been hard won and he has no zest for more. Or he fears to endanger his success in experiments that strike him as risky or rash."

That business leaders who do see this necessity are so highly exceptional that there is no likelihood of finding fit successors to them, we need not fear. The reason is, Henry S. Dennison puts it, that we have only to make the leadership a work that pays, and thus render it attractive to the ambitious, and the stream of successors is guaranteed.

My hope is that these executives of the new type, when the procession of them is assured, as I feel it will be, will unite in service. Society will be best

CONSTRUCTIVE INDUSTRIAL PEACE

served when the two parties, employers and employees, are best organized to serve the general welfare by constructive peace within. Each side will then better understand, and more fully respect, the other. May this not be the shortest possible road toward ultimate coöperation that is bound some day to bring these ancient disputants into the accord of a dominant motive to serve the public as it never has been served before?

Even as matters stand at this moment, with the two groups still too distant from each other, much that lies within reach of any employer can be done to bring them closer together. The possibilities for betterment seem to me to be infinite. Any employer can contribute his mite toward improvement. I have just said that, if every employer of labor kept his own house in order, there would be little of a labor "problem" as we now know it. It was more than a pious wish; it was better than a general statement. The most practical means for reducing labor unrest to a minimum lie within easy reach of every employer in the country, if he has a mind to use them.

Every business enterprise that is well organized is a public service. Every such enterprise is a

· A MERCHANT'S HORIZON

cross-section of the community. If every employer of one hundred, five hundred, five thousand, or fifty thousand would make a genuine effort to see that his five thousand or five hundred people were developing both as self-respecting citizens and as workers, the result from the conditions achieved in each separate shop or factory would send American industry forward by leaps and bounds. And this is not an impossible dream. It looks so only because too few of us take any real pains to visualize it all.

As I write, the country appears to be at peace. Employment is general. Yet the United States Department of Labor is hard-worked in the attempted settlement of hundreds of minor strikes. The strikes of dramatic scope get into the newspaper headlines. The less conspicuous discords rarely do. Yet in the mass these petty disturbances may represent an amount of unrest, a shock to trade, and a cost to us all in loss of production, as great as that resulting from one of the major disputes. Strife that is needless, that an effort at understanding might have prevented, is always going on.

For much of the strife that goes on there is no

CONSTRUCTIVE INDUSTRIAL PEACE

excuse. However varied industry may be, the causes of labor's present dissatisfactions are few and standardized. They refer to a few simple origins in every industry. In my opinion they can be reduced to two. The second of them is a general lack of understanding as to what is the fair share of each, capital and labor. One side thinks that wages, and the other that profits, are too high. But the first great cause of uneasiness in labor is intermittent or fitful employment. It is not idle to say that every employer could do something to create a better spirit if he took practical steps toward uprooting these causes of unrest in his own plant, among his own immediate people. Too often he doesn't do it.

Humanity at large is to blame for such labor troubles as plague it. These wrongs would not exist to the extent that they do if humanity took thought. Some day it may do so. And the means will be at hand.

At times public opinion allows itself to be aroused from its habitual feeling of helplessness in the face of a nagging labor conflict. In 1910 during a prolonged garment strike in New York, which so far as the public was concerned seemed to be only

A MERCHANT'S HORIZON

newspaper copy, a few of us thought it our duty to try for a settlement. We spent many weeks at it, and in the course of this work a number of able citizens came forward to help. Before and since that time an industrial dispute of any size is sure to draw in the disinterested services of able men and women. Labor strife is something that must touch the conscience of every right-minded citizen.

If I appear to have rambled at random over topics only remotely related to my theme, it is because of my belief that the business man, with a genuine desire to serve his time and fellows to the limit of his capacity, cannot glance anywhere about himself without realizing that he is looking down vistas of usefulness. He everywhere sees some new agency that he can put to work for the improvement of business and life.

What, for example, are we to do about employee pensions? I am content to ask the question. Others have tried in vain to answer it. In the main, a number of pension systems so far experimented with have broken down by the weight of their accumulating cost. The longer an industry

CONSTRUCTIVE INDUSTRIAL PEACE

runs on, the longer grows its list of superannuated employees, until at last the charge of their maintenance becomes greater than the business can bear. Many minds are at work on the problem, but the ideal pensioning plan has yet to be devised.

Some able and far-seeing employers are against the principle altogether. One of them said:

A pension is a payment against ill-will, which is very expensive in most cases. We cannot find a pension system that is any good. Each one deserving of a pension we handle on the merits; but we have no system that applies to all. For example, we lately pensioned two old employees who had been working for us since 1861. The value of their work amounted to a few dollars a week. We left their income as it was, and took away the work. It seemed undoubtedly the thing to do in that particular case. More recently we had a man who had been with us seven years. One hot night he rode home in the subway, caught a chill, and became paralyzed. He always will be. A pension is the only thing for him. He was worth it. Such cases always are. The point is that, where palpable injustice is done, ill-will is created against us. It pays us to avoid that.

He meant that the merits of every case where a pension is indicated are personal matters between employer and employee, to be settled as all the

A MERCHANT'S HORIZON

conditions surrounding that particular case require.

The same firm has an unemployment fund which depends upon no blanket system for automatically taking care of all who are thrown out of employment in slack times. Each case entitled to recognition from this fund is adjudged on its own conditions and merits.

We set aside a reserve for unemployment, if the time should come. Out of that reserve we now pay, and agree to pay as long as the fund lasts, sixty per cent of their salary to those employees who are without dependents, and eighty per cent to those with dependents, if they are laid off on account of commercial reasons. The first duty of a business being to live and remain solvent, this would seem to be about as far as common sense can go in the matter of individual pensions and compensation during unemployment.

Other business men may find it interesting to compare their views and experience with this. This much may be conceded — wages must be ample to afford the thrifty, at least, the opportunity for a nest-egg. The field of joint action between employer and employee in supporting constructive and protective measures, as in case of unemployment, for example, lies almost unex-

CONSTRUCTIVE INDUSTRIAL PEACE

plored. Too few are the pioneer efforts under way, but they are of deep significance.

In the matter of housing employees, "We have a fund set aside for that purpose," a large employer tells me. "We found the one thing we needed was plenty of money for second mortgages for our employees who make up their minds to own their homes. We find it a very good investment for ourselves. We have the loans arranged on very easy terms. The employees pay the loans back on their own initiative. That is, we take nothing out of their pay envelope. They get their regular wages, and then pay us. We tie no strings to the loans. There is no 'check-off.'" It is one more line on the way in which enlightened business is now conducted.

My own belief is that systems of profit distribution based upon a fair wage with extra pay for work performed or for results accomplished, or by which profits are distributed in stock awards, with the volume of stock enlarged by each year's division of profits, will one day make pension systems and many forms of philanthropy unnecessary. Each worker will then become his own philanthropist, preparing for the future as he earns

A MERCHANT'S HORIZON

profits in the present by the fruits of his labor. While he is alive he has the satisfaction of a real contribution to a successful business, in which he has a real and possibly a growing share. He has his dignity, to boot. He has been encouraged to be a true business man, storing up for the future out of present gains, as a business man should.

Every business being necessarily a cross-section of the community in which it exists, such constructive aids extended to its employees are a distinct contribution to that community. And there is no such contribution too small to be of social value. The encouragement of group activities among employees; building up through such group activities a higher standard of character and intelligence; teaching the benefits of team-work; the encouragement of wholesome interests — all these things make for better citizenship. And the employee subject to these stimulating influences becomes himself an upbuilding influence in the community.

There is little doubt in my mind that we are approaching the day when this cultivation of the employee as a social being may be regarded as of

CONSTRUCTIVE INDUSTRIAL PEACE

equal importance with the working-out of any of the big problems now before management. Nor can we be content with making the worker a colleague in business; he must be remembered also as a member of the community.

CHAPTER XIII

THE COMMUNITY'S STAKE

IN the foregoing chapters I have outlined a few, at least, of the tendencies in the life about us which, together, are working out what seems to me the outstanding advance of our time. In what direction, toward what goal, is that advance heading?

Our progress is like a great building programme. But the structure, in which we should all like to dwell in our own time, is not to be reared overnight. The best that each of us can hope to do in the short space of a lifetime is to lay, honestly and four-square, his single stone, his contribution, in the walls.

But these wishes of a future must be themselves determined by the effort of to-day. The capstone to the structure can never be added until every stone beneath it has been laid in place. The thing for us to remember in our present endeavors is that we are not engaged in an enterprise for our own glorification.

Something has been accomplished, it is true, to improve the estate of those who must work with

THE COMMUNITY'S STAKE

their hands, and so to better the relationship of business to society. It is a beginning. But beyond this beginning lie problems apparently as baffling as ever. To-day's achievement is succeeded by to-morrow's duties and endeavor. No matter what we think we have achieved, much more remains to be done. To me the element of great cheer in the work which business men of vision have set going is that they find their largest immediate satisfaction in this work they are doing for to-morrow. The secret has been learned that the best-paid work is the work done regardless of self. Business of the new kind pays in satisfaction of the mind as well as in money, with loss to none, with gain for all.

Let us look back over the ground that has been traversed. During the World War, when labor was scarce and the utmost in production was demanded, "nothing was too good" for labor. And generally, labor on its own part responded with its best efforts. Some of our workers may have lost their heads in sudden prosperity. In the mass they fully rose to their part in winning the war. We all were lifted to new moral heights. Employers did more than pay court to their workmen. Our finest im-

A MERCHANT'S HORIZON

pulses stood forth unashamed. We began to do the fine things that before we had been content to think about. The housing of labor, the health of labor, its contentment and advancement, were ministered to as never before. Steps forward were taken that seemed to be permanent. We all congratulated ourselves on having learned lessons in the time of danger that were never to be forgotten when safety was won.

And then, when the emotional tension had snapped, came the drop. A great moral lassitude settled over us. Being no longer compelled to husband every commodity and curb every indulgence, an orgy of spending set in. Society set forth to revenge itself for its privations — until it awoke to the fact that in reality it was poor. The wreckage and wastage of war were there to be repaired. Great lapses in production demanded to be made up. Before the appalling task the spirit of the world bent and broke. The orgy of spending gave way to a phobia against spending. Our own country, which suffered least dislocation of any, was in the state of fear that brings industrial depression. Our people hesitated to satisfy their urgent wants. Factories closed. Unemployment rose to frighten-

THE COMMUNITY'S STAKE

ing figures. The Secretary of Labor was bitterly abused for further frightening the country by revealing the actual totals.

This is not the place to dwell upon the salutary effects of his act. The Nation's attention was riveted as never before on the great problem and economic error of unemployment, and thought was directed to it that may produce in time the permanent remedy for this terror to all who must work.

Now that it is all over, for the present at least, it is safe to acknowledge that we then went through a serious period. As a Cabinet member privately said at the time, "The Country is living on oxygen from the Federal Reserve System."

What happened then?

When wages were lowest and unemployment at the maximum, labor made no secret of its intention to jack up wages to the highest attainable peak and recoup itself for its hardships as soon as prosperity returned.

To many observers these demands brought consternation. To me they appear as no more than a business procedure, expressed on the other side of

A MERCHANT'S HORIZON

the deadline we have drawn between capital and labor; in this case, labor, not capital, believing it good business to take full advantage of a favorable situation.

Employers of labor were not slow in taking advantage of a like situation. Many, but by no means all of them, just as readily forgot the lessons learned during the war. The war had compelled them to meet every wage demand; the peace compelled them to pare down every expense. Too many began with the things they thought most easily spared, the steps toward the worker's betterment, steps but lately regarded as permanent additions to industry, and then dismissed as fancy-work. Too many lopped off personnel managers, and the entire programme of tenders toward better relations with labor. These were long-time investments of energy, at best they paid an uncertain and not easily measured dividend, and meanwhile they cost money. Away with them!

After paying wages raised to abnormal levels by the war, many employers resolved not again to put up with like wage demands, or with the might of union labor. Throughout the country steps were taken to end what was termed "union domina-

THE COMMUNITY'S STAKE

tion." The age-old conflict between the man who hires and the man hired was on again, after many a hopeful effort to ease it out of the picture. Strife which we thought ended on the battle-field was transferred to the field of industry. It might be bloodless there, but it was the old familiar antagonism. Whatever its name, it was not a peace state of mind.

Men who had devoted a lifetime to easing the frictions in the employment relations were heart-sick. I never shared their despondency.

We were all in a state of emotional fatigue. Yet, to some employers at least, it seemed that there never was a time which offered a better chance to find a road to the way out of these difficulties between capital and labor. I am convinced that intelligent labor leaders were making up their minds that strikes were costly, and that it was for labor's interest to find a substitute for strikes that would leave it — labor — in a position more constructively to protect its own. And, while doing this, not overlook the duty of the men toward industry. In place of applying the old method of fighting labor, how much better it would have been to take advantage of this situation and, through confer-

A MERCHANT'S HORIZON

ence on basic principles concerning the interests of each, have avoided much of the misunderstanding.

The forces that are making a better place in industry for the worker not only survived a heavy trial; they went right on in a time and amid conditions that may have narrowed their field of action, but never sapped their vitality. We have not yet got back to our normal prosperity, and it may be several years before we do; yet this advance of the democratic idea in industry has been rapid amid circumstances the most discouraging. The progress in enlightenment that we made during the spirit induced by the war is shown to be permanent after all. The ill-will that followed the war is not.

That ill-will, as evidenced in seemingly unwarranted strikes, in unreasonable wage demands, in drives for the open shop or the closed shop, was a reaction that was only natural. Like all the stages of fatigue and non-intercourse that it resembled, it was certain to pass. And it did. Our flagging energies revived, as they always did in the past. To me it is the sign of a new realization on the part of those who hire, that the man who works is en-

THE COMMUNITY'S STAKE

titled to be a business man, to be treated as such, and that his wages are only a part of a real business. Relatively that is a long advance.

The story of human progress is full of instances of backsliding. Time is lost at such periods, but nothing more. Too many of us develop a recipe for progress, and then become infatuated with it. The records are speckled with names of men who drew crowds to their infallible panacea. A too powerful individual is apt to do more harm than good. Our world is composed of the multitude of John Smiths and William Browns and Mary Johnsons, every one of them different from the other, and each too often in the other's way until they learn the meaning of team-work. And progress is the little forward movement we can get these variously motivated persons to take in some common direction. To make that forward move we must help them to spare effort out of the everyday round of their endeavors to earn a living, endeavors often quite wearying. The forward move calls for will-power and exertion, and, above all, for opportunity. But inertia is ingrained in human nature, slow to bestir itself even for its own benefit. It waits to be goaded by its leaders, its gadflies, the few men who have

A MERCHANT'S HORIZON

the necessary impulse or the requisite mental and financial means.

But such men are on the job, and passionately in earnest about it. Said one of them to a group of his executives, "Remember, we're not making boxes here; we're making men."

That is the spirit that is at work. In the end something must give before it. Awakenings are going forward. Examples such as I have quoted are having their effect. Moments may come to them when their effect appears to be rather puny. Too often they have for their reward nothing but their own discouragement and perhaps the ridicule of others. Nevertheless, they cannot falter. Improvement can come only as the composite of countless efforts, made step by step and on a small scale; but these efforts are being made, and the improving result of them is as certain as fate.

The common excuse for failure is, "Conditions were against us." Then "conditions" are the concern of every individual. "Conditions" will never be different until every John Smith and Mary Johnson is aroused to a necessary part in the coöperative effort that itself is a corrective. You who

THE COMMUNITY'S STAKE

read this may say to yourself, in silent answer to me, "I am a fair employer," or, "I am a hard-working employee. What more can be asked of me?" The answer is that, no matter who you are, there is unfinished work for you to do.

There is not a person in the country, certainly no intelligent man, who would not like to see the relations between employer and employee more mutually helpful, and fixedly so. The resulting hopefulness of mind to millions of workers, and to thousands of employers, would be nothing to the public's peace of mind on account of it. But the way to attain it is by individual effort, millions of times multiplied. We ruin a boundless opportunity for good when we insist too much on some pet formula for reform. The mass of men may listen spellbound to the music of some man's oratory; but the thing to tell every dissatisfied man is to help himself by constructive effort with others. But it means telling every man, employer and employee alike. That would be practicing Americanism, the only "ism" we believe in.

This is the point I am getting at. I have tried to present a survey of the forces I see at work making

A MERCHANT'S HORIZON

for a better order of industry and therefore a better order of society. These forces are not only at work now, but they are destined to go on working. Society is becoming aroused, much as it has on past occasions when it weeded out destructive obstacles to commerce and instituted a more fruitful order. The workman is concerned about himself. And society is concerned for him. It means something that colleges and universities are paying more and more attention to business and industrial courses. But this is not all. Such instances as this occur to me:

Students of women's colleges, like Bryn Mawr, are taking employment in stores like ours, and in factories, not to learn business for professional use in after life, but to discover for their own enlightenment what a job means, how the business man plans, how the wheels of industry turn. They seek this knowledge of actual, going, workaday life as an addition to their education. Business is becoming one of the leading studies in a liberal education. Business men themselves are turning to colleges for more scientific methods and solutions in business, and so, late in life, are virtually "going to college." Progress cannot have reached a stand-

THE COMMUNITY'S STAKE

still while so many evidences exist that its vital processes continue busily at work.

Business, industry, commerce, trade, have been called the sole interest of the American people. The complaint is ceaselessly raised that we are a materially minded — meaning a selfish — people, with neither capacity nor understanding for any of the nobler exercises of the mind. The answer is that the arts must die without the means for their cultivation, and like a sensible people we have agreed to earn before we spend.

For a long time the merchant has stood as the archetype of the race, a trader. Yet in the display of his goods, in advertising, in the very houses he builds as places for sale, he has become a chief patron of the arts. Against the artist the complaint is still raised that in lending his gifts to commercial uses he is alloying his talents. Is the poster, decorated as now by the well-paid efforts of gifted artists, the debasement critics pretend it is? To my mind, every really good poster is a popular education in art.

Thus, what I have said before is true: business is taking unto itself more and more of the deeper interests of life. It is becoming a worthy expression

A MERCHANT'S HORIZON

of life. An outsider who steps into many business offices and watches the work in daily operation would be astonished by the enormous amount of careful planning that must be done to keep it going. Even more thought must be given if it is to expand and live up to its responsibilities toward the community. Every business man will testify to this need of thought, plan, vision. Ideas are welcomed as priceless. It is little wonder that alert business men of the new order are reaching among their employees for contributions to this fund of thought, which is as necessary to a growing business as a fund of cash capital.

And now the business man, especially the retailer, is fully aware of a pressure from the public about him. He knows that the eyes of the community are upon him. Sometimes this outside interest takes pains to express itself in valuable suggestions for the improvement of service. It expresses itself when college students take jobs with us, in order to learn business at close hand. The public is in everlasting need of wares, and has always taken a natural interest in the way in which these are made and prepared for sale. This interest now is stronger. Of late years it has exercised

THE COMMUNITY'S STAKE

itself with a kind of moral authority. The public has often enough declined to buy goods made under notoriously bad conditions, as many a merchant can testify. Business is unmistakably becoming an expression of the community's standards.

So the business man has returned to his position as the archetype of the nation — but no longer as the materially minded trader. To a community more alert morally he now comes with a new moral sense of his own. A better-trained and educated man himself, he seeks the assistance of other trained men. Nothing less will do for him. He is creating new careers, opportunities for worthy service.

Few of us have taken the real measure of this utter transformation that has come over business. Only yesterday it was mere barter and trade. But scientific method, the employment of trained minds to eliminate waste, reduce costs, and throw over material wares the mantle of charm, are not the only nor the most important elements in this transformation.

The element of outstanding importance which business has now taken to itself is *the service spirit*.

A MERCHANT'S HORIZON

The wise business man seeks to offer his goods to the public at steadily lower prices, to offer sound values. He knows this not only to be his duty, but good business policy. There is no pretense about it.

Business cares about its obligations. This book has been a study of this care. And yet business remains business. It has not gone into charity.

This is the sum of it all. Business has proved to itself that the making of money and the making of citizens not only can, but must, go on together, for the simple reason that neither process can solvently function without the other. For too long a time the problem of human betterment was looked upon as a side issue, a charity, subsisting on the doles of philanthropists. Now it is being put where it belongs — on a business basis, in business itself.

Accept that phrase — the betterment of men — as broadly as you please; certainly the enlightened business man sets no limits to its meaning. It is because he has a lively and vital conception of what he owes to the community about him. He knows that those obligations extend far beyond the walls of his factory or store.

THE COMMUNITY'S STAKE

A friend in the West, most determined of altruists, told me that in planning a new hospital, against much opposition and more indifference, he asked this question of the president of one of our well-known Foundations: "Whatever their views, how can people kick at such a thing! Don't you consider the building of a hospital a truly religious act?"

The answer was: "Why, that *is* religion! Others only talk about it."

Is it going far astray to see some likeness to that, in the spirit, or whatever you may call it, which animates some of the business men I know? I find it easy to think of a day when business is taught, not in a few schools and colleges, but in every school and college, and not necessarily to create business men and women, but as a fixed essential to any liberal education — as a course in applied service! Business itself is a school, a working laboratory. Certainly business has now much more than "business" to teach, as the schools see for themselves, when they come to business establishments to learn. No strain need be put upon the imagination in visioning what part public opinion, permeated by education of this practical sort, will

A MERCHANT'S HORIZON

one day play in settling strife and strikes, or frowning them out of existence altogether.

Strikes may go on longer. The employer bent upon nothing but his personal enrichment, and careless of how he achieves it, may be with us for long. So may the unreasonable labor leader, or the demagogue, or the extremist who thinks that tearing down is a building up, and those pied pipers who take the mob with them for a while to the tune of an alluring reform.

It is the signal to go on.

Businesses of the old autocratic order may be still in the majority — a majority of depressing size. I stubbornly believe the majority is dwindling, or destined to change if not to dwindle.

I have been on the lookout for signs of the forces that may completely liberalize business and lead it to a part in human life larger than it is safe at this point to predict. I have by no means assessed all of these forces. No man could. But enough has been singled out, I believe, to prove the reality of their existence and to indicate how many they must be.

A few words more will sum it all up.

THE COMMUNITY'S STAKE

A large part of American industry has been touched by a new spirit. Business men of the new school have a sense of civic obligation which they are trying to meet in a practical manner. That which was too commonly treated as a machine in human guise has been rediscovered as a human being — not very different after all from manager or stockholder.

Against the old order of antagonism between boss and workman, the channels for common discussion are opening up.

My faith continues that the worker is a man in our own image.

This faith is proclaimed even against such a statement as this, from no less an authority than Henry Ford in his book entitled "My Life and Work":

The average worker, I am sorry to say, wants a job in which he does not have to put forth much physical exertion — above all, he wants a job in which he does not have to think.

Some of the operations are undoubtedly monotonous — so monotonous that it seems scarcely possible that any man would care to continue long at the same job. Probably the most monotonous task in the whole factory is one in which a man picks up a gear with a steel hook, shakes it in a vat of oil, then turns

A MERCHANT'S HORIZON

it into a basket. The motion never varies. The gears come to him always in exactly the same place, he gives each one the same number of shakes, and he drops it into a basket which is always in the same place. No muscular energy is required, no intelligence is required. He does little more than wave his hands gently to and fro — the steel rod is so light. Yet the man on that job has been doing it for eight solid years. He has saved and invested his money until now he has about forty thousand dollars — and he stubbornly resists every attempt to force him into a better job!

The most thorough research has not brought out a single case of a man's mind being twisted or deadened by the work. The kind of mind that does not like repetitive work doesn't have to stay in it.

Certainly the rise of the worker will be slow where he is animated by such a spirit — or rather is unanimated by any spirit at all. One wonders if this were accepted generally as a proper environment for the worker what would happen to his spirit and his citizenship. No one can deny that Mr. Ford's methods in production have done much for industry. What if we go on refining production to the point where all thought, initiative, ambition, spirit are crushed?

A quite contrary view of the worker's spirit guided a great American corporation — one of the

THE COMMUNITY'S STAKE

greatest in the world — when it proposed a scheme of employee representation in management. I am told that the directors at first approached the plan with many misgivings. By means of these shop councils the employees, it was feared, would run away with the business. Or else the production of goods would cease while the employees went in for politics and electioneering.

The plan prevailed, against all opposition. And what ensued? Nobody stampeded the works. No Napoleon appeared. So uncertain were the employees in using the opportunities offered that the management added to the representation plan an elaborate system for educating the men in the use of it. This second move of the Company was more statesmanlike than even the first one.

I believe that those who evince poor faith in the workman are only confessing the lack of a totally new type of imagination which the new business man must cultivate.

No business man of the future can be true to himself and dodge the problem of his own education first and then that of his workers.

That society is as sound as it is, is owing to the vast numbers who "live faithfully a hidden life."

A MERCHANT'S HORIZON

Salvation has always rested with such people. It rests in their hands to-day. But it is not an exclusive band, and any man can join it.

The endeavor we have set going stands here recorded. To submit it as a guide to others is the least of my intentions. We have no panaceas, and few suggestions, to offer. Like others in the same field, we are explorers, feeling our way. But sometimes a comparing of notes is helpful. My desire is only to provoke thought, to arouse discussion, and perhaps help in a step forward. If these experiments we have made, the fundamentals we have tried to stand by and respect, attract only the attention of criticism, even so some benefit may result.

In these pages I have tried to show that the business man who "cares" is coming to fill a larger place in the constructive interests of the day, both inside and apart from business itself. This is especially true as regards education, vocational and general.

Moreover, the educational interest that I have tried to describe is one that should "begin at home."

THE COMMUNITY'S STAKE

That is to say, the true idea of education and of development, too, is concerned with making the job itself, the organization, and the business, on the whole, a source of upbuilding, of useful community service.

In a real and fruitful sense the "going to work" may well come to mean a "going to school." This is coming to be a working ideal in soundly managed concerns to-day.

From this not very difficult foundation, the next objective, as our plans unfolded, was the bridging of the chasm between the employed and those who employ. We could not see our way to real success, and certainly not to any satisfaction, in the conventional work relation. We thought we could win and march ahead through coöperation. We aimed for it and worked for it. Our people responded because that is what they had in mind too.

As these purposes grew and proved themselves, a number of lessons came home to us. We had to pay the price for what we learned, of course. We expected to and were eager to pay. We chose always to pay the cost for learning something rather than to pay and not learn anything. That seemed better business. So it proved to be.

A MERCHANT'S HORIZON

One of the best lessons was the learning in time how superior is the coöperative over the autocratic will, however capable and resolute. In our numbers, in our groups, or team-work, not in the qualities or power of any one individual, have we found our best results, our largest satisfaction.

That is the road along which we have come. It seems to us the right road to have taken and to keep to.

THE END

BOSTON PUBLIC LIBRARY



3 9999 09775 782 5

